

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,128

Thursday January 8 1987

D 8523 B

West German banks' role in economy under question, Page 12

Algeria	Sch. 20	Indonesia	Rp 2100	Philippines	P. 20
Argentina	Ps 100	Italy	L. 1000	Portugal	Esc 100
Australia	A\$ 1.00	Japan	¥ 100	S. Arabia	R. 100
Belgium	Bfr 100	South Korea	₩ 100	Singapore	S\$ 1.00
Canada	C\$ 1.00	Taiwan	N. 100	Spain	P. 166
Denmark	Dkr 100	Thailand	฿ 100	Sweden	Skr 100
Egypt	E£ 100	West Germany	DM 1.00	Switzerland	Sfr 100
France	Ffr 100	Yemen	Y. 100	U.S.A.	\$ 1.00
Germany	DM 1.00	Zimbabwe	Z\$ 100		
Greece	Dr 100				
Hong Kong	H\$ 1.00				
India	Rs 100				

## Strikes in France are biting deeper

Rail and electricity services were severely disrupted again throughout France, with little tangible sign of an end to the strikes that have hit the public sector. Some 4,000 riot police were called in to patrol railway tracks after strikers drove out telephone lines and electricity in a further effort to stop any traffic.

A report of exploratory talks between representatives of the drivers and railway management was the only hopeful sign. Page 2

## Car bomb attack

Former Lebanese President Camille Chamoun, 86, a hardline opponent of Syrian influence, escaped with minor injuries in a car bomb attack in Christian east Beirut which killed seven people.

## China confirms battle

China said its frontier guards were still fighting Vietnamese troops along their common border after what it called a series of provocations by Hanoi's forces. It said Vietnam had launched a dozen attacks in 48 hours.

## SLA toll rises

Two more militiamen in the pro-Israel South Lebanon Army (SLA) were killed in guerrilla attacks just north of the Israeli border, raising the toll to 13 the number to die so far this week.

## ANC removal sought

South African Foreign Minister P. W. Botha confirmed that Pretoria had pressed neighbouring Mozambique to expel six officials of the African National Congress.

## Inquiry to call Kohl

An all-party West German parliamentary inquiry into the Government's role in an alleged sale of submarine blueprints to South Africa said it would summon Chancellor Helmut Kohl to give evidence.

## Germany accused

Former inmates of East German jails accused the Communist authorities of ill treatment there, three years after Chancellor Helmut Kohl of West Germany said East Germany was holding 2,000 political prisoners in jails and concentration camps.

## Antwerp shoot-out

A policeman was badly injured in a shoot-out with three suspected French urban guerrillas in the Belgian city of Antwerp after following a car which failed to stop at a red traffic light.

## Macao talks

Talks are going on in Lisbon which could decide the future of the Portuguese enclave of Macao. China has made clear that it wants sovereignty before the end of the century.

## Bombers to die

The Kuwait Security Court sentenced two Jordanians to death for their role in the bombing of two Kuwait seaside clubs in July 1986. Ten people were killed.

## Britain's lost jobs

The southern part of Britain has gained virtually no service industry jobs for every job lost in manufacturing since 1978, but the rest of the country has gained only one for every four or five manufacturing jobs lost. Page 8

## Brawl after cricket

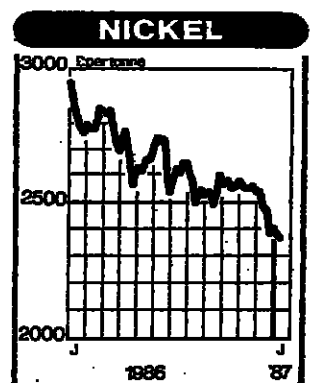
Police detained about 30 people on charges of disorderly conduct and assault after England cricket supporters fought to get on to the pitch where their team won a one-day tournament of Perth, Western Australia, beating Pakistan in the final.

## London, Wall St surge to records

LONDON stock markets surged to a record on strong UK and foreign institutional buying of industrial blue chips and consumer issues. The FT-100 peaked with a 31.5 jump to 1,324.2 and the FT Ordinary added 18.7 to 1,333.0. Government securities were little changed due to the absence of foreign support. Details, Page 34

WALL STREET: Share prices continued to reach record levels. The Dow Jones Industrial average added a further 19.12 to a record 1,893.85. Page 34

TOKYO: The Nikkei average plummeted after a higher start on renewed fears of US protectionism. The average closed 94.39 down at 18,942.37. Page 34



NICKEL prices on the London Metals Exchange were pushed to fresh four-year lows yesterday following early selling. But prices partially recovered on profit-taking and buying which seemed to be on behalf of producers. The cash price closed at £2,362.50 a tonne, adding £15 to Tuesday's £25 decline. Page 26

GOLD fell \$1 to \$400.75 on the London bullion market. It also fell in Zurich to \$400.75 (\$401.75). Page 26

DOLLAR closed in New York at DM 1.9280, Sfr 1.63075, Ffr 6.4225 and ¥158.05. It rose in London to DM 1.9275 (DM 1.9300); it also rose to Sfr 1.6295 (Sfr 1.6125); to Ffr 6.4225 (Ffr 6.3875); but fell to ¥158.05 (¥158.75). On Bank of England figures the dollar's exchange rate index rose from 107.9 to 108.02. Page 27

STERLING fell in London to \$1.4710 (\$1.4765); it also fell to ¥232.50 (¥234.25); remained unchanged at DM 2.3850; but rose to Ffr 6.4475 (Ffr 6.4325). The pound's exchange rate index fell 0.1 to 88.3. Page 27

PEUGEOT will pay a dividend this year for the first time since 1978, Jacques Calvet, chairman of private French car group embracing the Peugeot and Citroën car marques, said. Page 15

T. BOONE PICKENS, acquisitive Texas oilman, renewed his assault on Diamond Shamrock, Dallas integrated oil company which recently halved its dividend, by joining John Harbert, southern businessman, in an offer of \$15 a share in cash for up to 20m shares or 18 per cent of Diamond. Page 15

CANNON GROUP, troubled US film company which is the biggest cinema operator in Britain and one of the largest in Europe, has slashed its 1987 film production schedule and laid off an estimated 10 per cent of its US staff. Page 15

ISTITUTO San Paolo di Torino, one of Italy's biggest banks and an original member of the consortium of seven private and state banks which took control of Banco Ambrosiano in 1982, has sold its 8.92 per cent shareholding in Nuovo Banco Ambrosiano, successor to the late Roberto Calvi's bank. Page 15

MICROELECTRONICS and Computer Technology Corporation, joint venture which was established in 1983 to help the US computer industry fight Japanese competition in long-term research programmes, suffered a series of blows this week with the withdrawal of three leading hi-tech companies. Page 15

## Central banks mount DM5bn operation to calm money markets

BY DAVID MARSH IN BONN AND GEORGE GRAHAM IN PARIS

EUROPEAN central banks sold more than DM 5bn (\$2.6bn) yesterday in an effort to dampen intense foreign exchange market speculation triggered by the confrontation between France and West Germany over the current strains within the European Monetary System (EMS).

The central bank support, above all for the embattled French franc, added up to one of the largest ever one-day intervention operations and came as the West German Government attempted to stand firm against massive pressure for a D-Mark revaluation.

With no sign of a speedy end to the political and industrial turbulence in France which has spurred the latest disorder in the European Monetary System, the market is confronting West Germany with a growing problem of potentially inflationary currency inflows.

As signs multiplied of deep disagreement between the Paris and Bonn Governments over the need for EMS realignment, West Germany is clearly coming under increased pressure to take action to stem the unrest before the country's January 25 general elections.

The French franc was quoted all day at or around its lowest permitted EMS level of DM 3.3303 - the rate at which central banks are

obliged to intervene. The Bundesbank also intervened yesterday to support the dollar, which closed in London at DM 1.9275 compared with DM 1.92 on Tuesday.

Mr Gerhard Stoltenberg, the West German Finance Minister, in a television statement last night, said there were no economic reasons for any EMS parity changes. He said the D-Mark had already risen by 7 per cent over the past year against the franc, even though the inflation difference between France and West Germany was only 5 per cent.

However, it became clear yesterday that the Bundesbank, West Germany's constitutionally independent central bank, would favour a speedy re-ordering of currency rates within the EMS to dampen the huge inflows of currencies pouring into the country's money and securities markets.

Yesterday's DM 5bn-plus intervention total, which was confirmed by officials, includes operations by the Bundesbank, the Bank of France and other European central banks. It presents a serious risk to the Bundesbank's attempts to control German money supply growth this year after an extensive overshoot in 1986.

The West German Cabinet yesterday threw its weight behind Mr Stoltenberg's line against any D-Mark revaluation within the EMS, which would add to competitive problems already felt by West German exporters as a result of the D-Mark's sharp rise against the dollar.

However, as ministers and officials kept up a stream of soothing statements in Bonn, currency traders in Frankfurt said the Bundesbank was intervening so heavily that its backroom staff were barely able to keep up with the paperwork.

The Bundesbank's policy-making central council will today discuss the unrest. But because of the worries over the money supply, it is highly unlikely to try to stem the pressure by cutting German interest rates, a course of action urged frequently by France in recent months.

Pointing out the Bundesbank's resistance to automatic intervention to buy up currencies, one currency dealer in Frankfurt said: "If it were not for the election in two weeks' time, there would be a realignment this weekend."

Analysis, Page 2; Editorial comment, Page 12

## Moscow moves to end conflict in Afghanistan

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union said yesterday that it was prepared to set a timetable for the withdrawal of its troops from Afghanistan as part of a political settlement to the eight-year-old war to be discussed in Geneva next month.

The offer of a complete pull out of the 115,000 Soviet forces in Afghanistan, together with the unilateral ceasefire declared by the Soviet-backed Government in Kabul from January 15, marks the most significant initiative by Moscow to end the conflict since the original Soviet invasion in 1979.

The Soviet communiqué says it supports the Afghan Government in seeking through the UN-sponsored talks in Geneva "a political settlement around Afghanistan, within whose framework the question will also be agreed upon of the timetable for the withdrawal of Soviet troops."

At the same time, the Soviet Union is continuing to insist that the Government rebels must abide by the ceasefire and reach a negotiated political settlement if Moscow is to pull out.

Guerrilla leaders in Pakistan have already rejected the offer by Mr Najibullah, the Afghan Government leader, of a ceasefire and opposition participation in Government saying they do not recognise the Kabul regime and will not talk until all Soviet troops leave Afghanistan.

Thus, the problem for the Soviet Union remains the political and military weakness of the Government in Kabul which is unlikely to survive without active Soviet support. Diplomats in Moscow say there is no sign that Moscow will withdraw its forces if it believes Mr Najibullah will be replaced by a bitterly anti-Soviet regime.

The intransigence of the guerrilla leaders in Pakistan was denounced by Mr Eduard Shevardnadze, the Soviet foreign minister, who returned from a two-day visit to the Afghan capital yesterday.

In an interview with the Afghan news agency, Mr Shevardnadze said: "A political settlement is not a remote prospect but a reality of today. The issue of withdrawing the Soviet troops is being considered by us and the Government of democratic Afghanistan accordingly."

The Afghan-Soviet initiative, drawn up by Mr Najibullah and Mr Mikhail Gorbachev, the Soviet leader, in Moscow last month, foresees the talks between Afghanistan and Pakistan conducted in Geneva by Mr Diego Cordovez, the UN special mediator, as the forum in which a breakthrough on Afghanistan might be reached.

## Chinese leaders order hard line on students

By Our Foreign Staff

DENG XIAOPING, the Chinese leader, instructed security officials to take a tougher line with demonstrating Chinese students 10 days ago, indicating that the hard-line conservatives in the leadership have finally won the upper hand in arguing that liberalism has gone too far in China.

Deng's hitherto undisclosed action emerged yesterday when a letter written by him on December 29 was obtained by Reuters correspondents in Peking. It indicates that the leadership decided events had gone too far once the demonstrations reached the capital of Peking.

The translation of the four-line note is reported as: "Your tone should be a little tougher; you should show more firmness; you have to make clear the separation between positive and negative; you must work on the students to understand them."

The note was apparently attached to a Communist Party Secretariat report on the university student demonstrations which spread to campuses in at least a dozen cities. The note was clearly a watershed and appears to be the key to the shift in official attitude as publicly expressed in the Chinese press.

Newspapers initially ignored the demonstrations and then took a cautiously liberal line. But in the last 10 days the editorial line has hardened and the People's Daily, the official party newspaper, has progressively toughened its tone to the point where its comments that liberal influences are poisoning young people's minds suggest that the relative intellectual and cultural freedom of the past 15 months is over.

The reports of Deng's decision to follow the line of the conservatives will be a bitter disappointment to Chinese students who believed he was liberal enough to be able to promote and support their cause. But he has a history of giving ground to conservatives once he believes he cannot win a particular battle and cause disruption and disobedience by demonstrating students became flagrant in Peking he appears to have conceded the argument.

There is a close historical parallel for this change of tack by Deng. In 1978 and 1979 he supported the movement which became known as Democracy Wall because people put up wall posters demanding more political and cultural freedom. But he was also responsible for squashing the movement harshly when he thought it had gone far enough and

Continued on Page 14

## Banks 'may face' Latin American loan write-offs

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR JAMES BAKER, the US Treasury Secretary, has indicated that American banks may have to accept losses on loans to major Latin American debtors, the first time that top US officials have raised this possibility publicly.

This surfaced yesterday in a report in the Washington Post, which said that Mr Baker felt that a small portion of loans to Latin American governments probably would not be repaid, and quoted an unnamed senior Treasury official as saying "the debt is not worth 100 cents on the dollar and we should not be engaging in the fiction that it is either."

The Washington Post report puzzled and surprised some experts on Third World debt. They point out that the Treasury has only served to add to this concern. Brazil is expected next week to tell its US bankers that it too now needs new lending.

Top monetary officials in Washington were yesterday interpreting the reports of the Treasury's stance in part as a trial balloon aimed at stimulating renewed debate about

how to tackle Third World debt. It is also being seen as a strong hint to the banks that the time may be approaching when they should drop their insistence on existing debts being treated as repayable in full.

Treasury officials are saying that just because an existing loan to a Third World debtor is written down this should not mean that banks need to reserve against, or write off part of any new loan to the same borrower. US bank law does not currently require a bank to take a write-off on a new loan when it has already written down the value of an existing loan to either a domestic or a foreign borrower.

A key element in the existing strategy for tracking the Third World debt problem, as laid out by Mr Baker, has been the need for new loans to be made to Third World debtors by commercial banks and multilateral lending institutions in order to stimulate growth.

## CGE, ITT launch flagship

BY TERRY DODSWORTH IN BRUSSELS

THE NEW European telecommunications flagship company formed from the telephone interests of CGE of France, and ITT of the US, was formally launched yesterday with a board of new executive directors which reads like an international Who's Who and the promise of a public flotation as soon as it is feasible.

The joint venture, which is to be called Alcatel - a name derived directly from the telecommunications subsidiary of the state-owned Compagnie Générale d'Electricité - is also forecasting profits of around \$200m this year. This represents a return of about 2 per cent on its sales of \$13bn, contributed virtually equally by the ITT and CGE activities.

Among the members of the supervisory board, which will be headed by Mr Rand Araskog, the chairman of ITT will be Vincent Edwards Davignon, the former EEC Industry Commissioner, Mr Alexander Haig, former US Secretary of State, Count Otto Lambsdorff, a former West German Economics Minister, and Mr Michel David-Weill, a

senior partner of Lazard Freres, the US merchant banking group.

Alcatel's decision to appoint a broadly-based supervisory board and to have its headquarters in Amsterdam, is seen as a response to criticism that the venture represents a French attempt to pre-empt a dominant position in the European telecommunications business.

With 55.6 per cent of the company against ITT's 37 per cent (other shareholders will be held by Sociétés Générales de Belgique and Crédit Lyonnais of France) CGE will have unquestioned control of the new organisation, which will be by far the largest telecommunications equipment manufacturer in Western Europe, and the second largest telecommunications company in the world after AT&T of the US.

The head of its day-to-day operational management will be Mr Philippe Ghintz, a 48-year-old CGE manager who becomes executive vice president.

Despite the strong French managerial presence in the joint venture, however, Mr Pierre Suard,

chairman of CGE and the new chief executive of Alcatel, went out of his way yesterday to stress the pan-European nature of the group.

Mr Suard said that the creation of the joint venture was a "unique opportunity for the European telecommunications industry".

"This agreement is the most important industrial alliance since the EEC was established," he said. "The integrated market which the Community has been working for must be realised by setting up these sort of industrial groups."

Questioned on the low level of the group's profitability, Mr Suard said that Alcatel would have many opportunities for reducing costs and improving performance, including the reduction of duplication in its activities.

For the foreseeable future, however, the two lines of public telephone exchange switching equipment inherited from CGE and ITT would be maintained and supported, with integration emerging only over a period of years as switching technology evolved.

## France retaliates in Chad

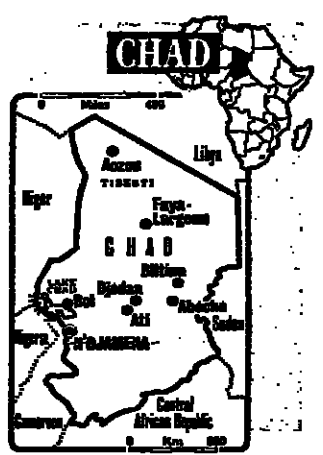
By Paul Botte in Paris

THE French airforce yesterday bombed radar installations at the airstrip of the Libyan garrison of Ouadi-Doum in northern Chad, in retaliation for the Libyan bombing raid in southern Chad last Sunday.

France has also continued to increase logistical support to the Chadian army and has dispatched additional military equipment. Moreover, two US air force Galaxy transport aircraft flew supplies to Chad from Nantes, in north-eastern France, this week, including ammunition, desert vehicles and fuel.

This has been interpreted as evidence of Franco-American co-operation to help the central African state. A few weeks ago, Washington sent \$15m in aid to Chad.

Paris has been expected to respond to the Libyan raid last Sunday which breached the 16th paral-



le, where some 1,000 French troops and military equipment, including Jaguar aircraft and helicopters, are stationed to protect the Chadian Government from Libyan incursions in the south of the country. France has always warned that it would retaliate against any Libyan breach of the 16th parallel.

Although Libya has officially acknowledged breaching the 16th parallel last Sunday, the French Gov-

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## EUROPEAN NEWS

This week's turmoil in the EMS has put the Federal Government in a painful dilemma, writes David Marsh

# West Germany pays the price for D-Mark policy

THIS WEEK'S wave of unrest within the European Monetary System places the West German Government and the Bundesbank, the constitutionally independent central bank, in a painful dilemma. It is all the more acute because it is partly of the West German authorities' own making.

The Federal Republic has had ample warning during recent months that pressures were building up around the D-mark. For a mixture of reasons, since the summer, the Finance Ministry and the Bundesbank, in spite of a tide of critical opinion from abroad about West Germany's tight interest rate and fiscal policies, have refused to take any action to stimulate the economy.

With the French franc now dropping to its lowest permitted point against the D-mark within the EMS, and the Paris Government openly calling on the West Germans to ease the hour of reckoning seems to be nigh.

The result in some respects may now be similar to the accord between the US and Japan at the end of October, under which Tokyo agreed to boost its economy in exchange for an agreement keeping the yen-dollar rate stable.

But any outcome revolving around a D-mark revaluation as part of a general EMS realignment after the West German general election on January 25, followed by some kind of economic stimulus, is likely to be a great deal more messy than the Japanese-US accord. Furthermore, by being transparently forced to carry out such action by turmoil in the foreign exchange markets, the

West Germans will forfeit the international credit they would have benefited from had the move been part of a general international "deal" to spur world growth.

Because it has failed to heed the warning signals of the past few months by following a currency policy wittingly described two weeks ago by former Chancellor Helmut Schmidt as "benign neglect", the Government faces possibly the worst of all worlds.

The D-mark revaluation which now looks inevitable is likely to dampen further the increasingly sluggish outlook for West German growth this year. After forecasting growth of 3 per cent both for 1986 and 1987, the Government is now having to accept that expansion last year was only about 2.5 per cent and could be as low as 2 per cent this year.

In four out of five general elections since 1969, Bonn has revalued the D-mark shortly afterwards. But unlike previous occasions, it will reap little significant benefit for price stability through the dampening effect on import prices of a currency appreciation.

With prices falling in West Germany over the past year for the first time since the 1980s, inflation could hardly be better mastered. Consumer prices indeed are expected to resume a slight rise of 1 or 2 per cent this year.

The open discord between Bonn and Paris over whether the D-mark is a franc or a D-mark crisis is the latest in a long line of disagreements over currency realignments which go back to President

## Exchange rate system proves its worth

THE QUARREL that has broken out between France and West Germany may not be the best advertisement for the success of the European Monetary System, yet over the past four years it has been an island of comparative calm in the world's foreign exchange markets, writes George Graham in Paris.

From its creation in March 1979, the EMS exchange rate mechanism saw seven realignments in the space of four years as it proved impossible to maintain the relative values of the eight full member currencies. In the next four years, however, the mechanism has been realigned only once at the request of France last April with less far-reaching adjustments in favour of the Italian lira and the Irish punt.

The exchange rate mechanism

fixes a central rate for every currency against each other in the system—Luxembourg franc is in fact pegged to the Belgian currency. A currency may move up to 2.25 per cent in either direction from this central rate, although the lira is allowed a wider margin of 6 per cent. When one currency reaches its trigger point against another, both central banks must intervene.

When the French franc fell to its floor against the D-mark earlier this week, it forced the West German Bundesbank to add its weight to that of the Bank of France by intervening. In the past, however, the D-mark has usually been on the country with the weaker currency to alter its economic policies and fall into line with the D-mark.

Central banks also monitor the "divergence indicator,"

which shows how far a currency has moved against the EMS. The system—made up of a basket of European currencies. If a currency moves beyond a divergence threshold—though not as far as its central bank is expected, but not obliged, to intervene.

The system has provided a considerable degree of stability in exchange rates for its member countries. Few, however, have been able to match West Germany's performance on inflation, and exporters suffering a cost disadvantage to their West German competitors. This has made it necessary to revalue the D-mark periodically in order to compensate.

This exchange rate mechanism is only part of the full EMS in which Britain and Greece both take part with

Charles de Gaulle's celebrated refusal in 1966 to devalue the franc.

Mr Jacques Chirac, the French Prime Minister, has already told Chancellor Helmut Kohl on several occasions in recent months of French irritation with West German policies.

The Bonn Government is unlikely to be able to give its blessing to any D-mark revaluation as part of an EMS realignment until after the election.

In the meantime, it faces pressures on two fronts. So long as the franc and other EMS currencies, such as the Danish krone, remain at their lowest permitted levels, the Bundesbank will be forced to intervene on the foreign

exchanges to purchase currencies—creating the danger of inflating further the already-bloated West German money supply.

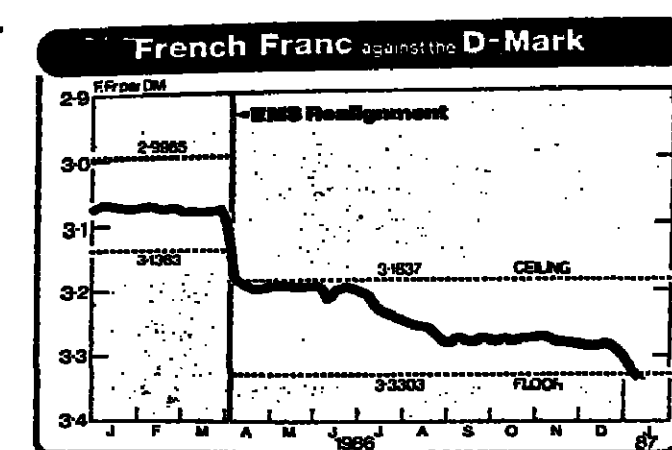
On the other hand, even after the election—which the present centre-right coalition

looks likely to win—any D-mark revaluation is likely to be highly unpopular.

Export-oriented West German industry is already complaining bitterly about falling orders caused by the sharp rise of the D-mark against the dollar over the past two years—from DM 3.47 at the dollar's high in February 1985 to DM 1.91-1.92 now. A rise against the dollar would also cause problems for West German farmers.

The cloud over West German exports, allied with a general flagging of the domestic demand-boosting effect of cuts in the oil price and taxes over the past year, is the main reason for the less than sparkling economic outlook for 1987.

Mr Gerhard Stoltenberg, the Finance Minister, is trying to keep a brave face about growth prospects. But the coalition has scored what amounts to an own-goal this week following the call by the Free Democratic Party (FDP), its junior



not being full members.

Its institutions include the European Monetary Co-operation Fund, a pool made up of 20 per cent of the gold and foreign exchange reserves of member countries' central banks. When the franc reached its floor yesterday, the Bank of France was automatically able to draw on the

fund without limit for up to 45 days to supplement its own reserves of foreign exchange.

Member countries are also entitled to short-term monetary support lasting up to 18 months and to medium term monetary aid. France's quota for these two forms of assistance totals Ecu 14bn (\$16.2bn).

## France plays for high stakes in the battle of wills with Bonn

By GEORGE GRAHAM IN PARIS

THE STAKES are high for France in the battle of wills it has begun with West Germany. Already engaged in a bitter struggle with striking public sector workers over an anti-inflationary policy, Mr Jacques Chirac's government is refusing to accept a devaluation of the franc which would damage the country's inflation prospects as much as a failure to hold the line on public sector pay.

France has fought hard to

defend the franc's current value within the EMS, raising interest rates sharply and spending heavily from the Bank of France's reserves of foreign exchange. By pulling out of the foreign exchange market and allowing the franc to slip to its lowest permitted level, Mr Edouard Balladur, the economy minister, has tried to throw the problem back to West Germany, where he believes it belongs.

"The simplest and most

effective way of resolving the problem was to let the force of the market have its effect absolutely naturally and allow the French franc to move to its floor," he said yesterday. If a devaluation is ruled out because of its effect on inflation, so too are two other options which have been canvassed: returning to the system of exchange controls which Mr Balladur has still not finished dismantling, or leaving the exchange rate mechanism of

the EMS altogether. Either course would represent a damaging about-turn for a Government committed both to liberalisation and to the cause of international monetary co-operation.

Instead, France wants West Germany to shoulder the burden which it views as being caused largely by the strength of the D-mark, not the weakness of the franc. "The Germans now have to face up to their responsibilities and choose

between accepting a revaluation of the D-mark or lowering their interest rates," said a Finance Ministry official.

France has wanted a reduction in West German interest rates for some time, seeing this as essential if it is to be able to reduce its own very high real interest rates. Officials have been increasingly irritated to see, instead, the Bundesbank increase its money market repurchase rates slightly.

At stake are the prospects for economic growth this year. Mr Balladur, presenting an outlook to the Council of Ministers yesterday, said the results in 1986 had been good but that 1987 would be difficult. The international economic environment would be weaker than earlier predicted, he said, partly because West Germany and Japan "are not using their full margin of manoeuvre" to accelerate growth.

Lower growth could jeopardise Mr Balladur's scope for reducing the budget deficit and cutting taxes next year, as well as damaging the prospects for a reduction in unemployment. These prospects are not improved by the current turmoil in the public sector, which has contributed — a little, according to the French Government, or a lot, according to the West Germans — to the franc's weakness and the crisis within the EMS.

## Strikes cause severe disruption in France

By DAVID HOUSEGO IN PARIS

THE SEVERE disruptions of rail and electricity services throughout France continued yesterday with little tangible sign of an end to the strikes that have hit the public sector.

The one hopeful pointer was reports of exploratory talks between representatives of the rail drivers and the management of the French railways (SNCF). But both sides were anxious to maintain silence on these.

Electricity cuts were more widespread than on Tuesday, with the Paris suburbs and the provinces worse affected than the capital. The centrist Force Ouvrière union announced that it would also call on its members today notwithstanding a small improvement in the pay offer made by the national electricity board.

Three of the unions involved in the dispute on the Paris urban transport network (RATP) also announced that they would continue the strike today. This followed the breakdown of a further round of negotiations over pay and

conditions. On the railways, some 4,000 riot police had to be called in to patrol track after striking drivers cut telephone lines and electricity connections in a further effort to disrupt traffic. In the southwest suburbs of Paris, drivers also damaged track.

The SNCF denounced what it called "sabotage" by drivers which meant that there was no improvement in main-line services. Mr Pierre Mugaiguier, the Transport Minister, repeated that the Government had no room to make concessions on salaries.

While at an official level attitudes by unions and government seemed to be hardening, officials confirmed that behind the scenes contacts were taking place in an effort to find a solution.

Mr Edouard Balladur, the Economy Minister, reporting to the cabinet on the economic situation, said that he had "a good hope" that a way out of the disputes could be found soon.

## Dublin to boost shipping with tax cuts and grants

By HUGH CARMODY IN DUBLIN

IRELAND IS to reduce corporation tax on shipping to 10 per cent and introduce incentives in a bid to boost the country's small shipping industry.

At present, profits on shipping activities are taxed at the standard corporation tax of 50 per cent, but they will now come under the 10 per cent level applicable to manufacturing industry and computer services.

In addition, grants will be available of up to 25 per cent of the cost of new or second-hand ships less than five years old and the Industrial Development Authority will be able to grant aid to shipping-related companies.

There will also be moves to reduce statutory manning levels on Irish ships.

Mr Jim Mitchell, the Communications Minister, said the intention of the package, which was welcomed by the Irish Chamber of Shipping, was to increase the number of Irish-owned and registered ships using Irish crews. He said 80 per cent of Irish exports are currently carried on foreign-registered ships.

The Irish-registered fleet is down to 68 ships following the collapse of the biggest Irish shipowner, the state-owned Irish Shipping Company, in 1984. Total Irish employment in shipping is around 3,000.

## Berlusconi may sell TV station

By Alan Friedman in Milan

THE ITALIAN private television entrepreneur, Mr Silvio Berlusconi, whose stations have overtaken the state RAI networks in terms of audience and advertising, expects to sell Rete Quattro (Network 4).

This is one of the three commercial stations he owns in Italy, where legislation allows him to own no more than two. An announcement is likely in the next few days that he will sell Rete Quattro to Mr Calisto Tanzi, the Parma-based dairy goods manufacturer who also controls 80 per cent of Euro TV, a small Italian private network.

The price is not known, but it is understood that the deal will see Mr Berlusconi's Fininvest group retaining control of both existing and programming for the network. This has caused some surprise in Italy where the sale is seen as satisfying the letter of the law, but perhaps not its spirit.

The three Berlusconi networks, Canale 5, Italia Uno and Rete Quattro, last year had total advertising revenue of L1,150m (£53m) which is less than the combined total of the three state television networks.

Mr Berlusconi is generally portrayed here as being a close friend of Mr Bettino Craxi, the Socialist Prime Minister. Mr Tanzi, by contrast, is seen as a close friend of Mr Ciriaco De Mita, leader of the Christian Democratic Party.

## Aid for Renault and French steel industry

Renault, the French state-owned car group, will receive FFr 2bn (£212m) in government aid, and the steel industry FFr 6bn, the Budget Ministry said yesterday.

The extra funds will come from France's 1986 budget, since the European Commission has vetoed any state aid to the steel sector from January 1.

pesticides had on insect eggs. Not all fauna was destroyed, however. Some types of worm were unaffected. There also seems to have been little damage to plant life.

The report claims that the bacteriological self-purification properties of the river have remained intact.

## Czech police detain Charter 77 activists

By LESLIE COLT IN BERLIN

CZECHOSLOVAK security forces temporarily detained six members of the Charter 77 civil rights group and prevented them from leaving their homes in Prague on the group's 10th anniversary on Tuesday.

At a news conference in a private flat Charter 77 called on Czechoslovakians to be aware of their constitutional rights and demanded an end to the privileges of Communist Party officials and appealed for religious freedom.

Only one of three of this year's Charter 77 spokespeople, Ms Libuse Shilhanova, was able to evade the security police and attend the meeting with Western correspondents. Prominent Charter members such as Mr Jiri Hajek, the former Foreign Minister of the reform Communist government in 1988, and Mr Václav Havel, a leading figure in the movement for leaving their homes by plainclothes policemen.

The news conference in the early evening was plunged into darkness after several men appeared who said they were from the electricity board and had wiring to do. They removed the fuses in the flat but the briefing continued by candlelight.

Czechoslovakia relaxed its harassment of Charter 77 members last year in an apparent reaction to Western criticism of the Prague Government's treatment of dissidents.

The Czechoslovak authorities have put off a decision on whether to bring trial leaders

of another dissident group, the Jazz Section. The independent Prague group which circulated uncensored publications to its 6,000 members was banned last September and several of its leaders arrested and charged with illegal business activities.

Two men were freed last week and a Prague court recommended the release of three others. A High Court is expected to decide on the State Prosecutor's appeal against the court's recommendation.

## Repercussions of the Flick scandal have been surprisingly slight, David Marsh reports

### Political parties turn to Bonn for a handout

WEST GERMANY'S political parties contesting this month's general election are fighting not just for votes but for a share of a bumper DM 225m (£90m) jackpot in state handouts.

Political funding rules agreed in 1983 call on the taxpayer to see the parties' financial straits.

Part of the cash has already been paid out to help defray campaign costs. But the exact sum to each party will be allocated in the three following the poll on the basis of the percentage of the vote they succeed in attracting—giving a new twist to the campaign slogan adopted in various ways by the main parties that

Leistung muss sein (performance must be rewarded).

Increased state contributions for the country's political groups represent the most obvious, and somewhat ironic, consequence of the scandal of the last five years over the funding of West German parties.

For an episode which has been labelled the Federal Republic's most serious political scandal, the political fallout of the Flick affair, after years of twists and turns, has turned out to be astonishingly slight.

This is underlined by the rising fortunes of one of the main political casualties of the affair, Count Otto Lambsdorff, the former Economics Minister. He is still on trial in Bonn in a 17-month-long case on charges of evading taxes over contributions made by Flick to his Free Democratic Party (FDP). The FDP is the junior partner in the present centre-right coalition with Chancellor Helmut Kohl's Christian Democratic Union (CDU) and the Christian Social Union (CSU).

But the much more serious charge of taking bribes in connection with tax concessions awarded to Flick between 1976

and 1981 were dropped in July last year. Two and a half years after resigning in ignominy in 1983 after six years as Economics Minister, the Count commuted his return last month to political life with a large party to celebrate his 60th birthday.

The present administration badly needs to add sparkle to its lacklustre economic policy and the Count is readying himself for a return to government at some stage after the election should the coalition, as generally expected, remain in power after January 25.

All the parties, especially the Count's own small FDP, which has traditionally been most reliant on large business donations, are trying to improve their financial position by increasing smaller-scale contributions from party members and other individual sympathisers.

The unravelling of a web of intrigue linking the parties financially to big business over the past two decades has forced them to cut their reliance on the private sector cash which flowed all too liberally during the 1970s. Much of it came through illicit channels under which

transfers from foreign bank accounts.

The Flick group was sold to Deutsche Bank at the end of 1985 and then floated on the stock market (at a handsome profit to Deutsche) partly because its owner, Mr Friedrich Karl Flick, was sick of the problem surrounding his company's dealings.

Deutsche Bank, one of the biggest declared donors in the country with DM29m donated for "political" purposes over the past quarter of a century, has thus finished up—as usual—on the winning side.

The Flick group's own illicit payments of at least DM 25m between 1969 and 1985 to political parties, led by the CDU and FDP but including the now Opposition Social Democratic Party (SPD), were revealed as a by-product of a separate investigation into tax evasion. The contributions were detailed in pencilled records, maintained with Dickensian punctiliousness by the company's chief book-keeper and impounded by judicial investigators.

But this was only the tip of the iceberg. A Cologne-based tax shelter foundation supported by big business, quietly but implausibly named the Association for State Citizenship, is believed to have channelled above all the conservatives, from the 1950s onwards.

The Flick affair has occupied miles of column inches in the West German press, above all the magazine Der Spiegel, led to tortuous court and parliamentary investigations and claimed some notable victims.

At the beginning of 1986, when Mr Kohl himself faced Bonn public prosecutor into an investigation from the charges that he lied to a parliamentary panel investigating the affair, it appeared briefly as if the scandal might even force the Chancellor's resigna-

tion. But the investigation — which Mr Kohl alleged was politically motivated — was dropped last May — and since then the scandal has gone cold. In the run-up to the election, the affair now is hardly mentioned in the press.

Count Lambsdorff's complicity in the long-running Bonn court case, dubbed by the newspapers as the "trial of the century" but now out of the headlines — another former FDP Economics Minister, Mr Friedrich Karl Flick, was sick of the problem surrounding his company's dealings.

After a trial which has cost an estimated DM 3m to DM 5m and generated 60,000 pages in documents, the verdict on charges of tax evasion are due to be pronounced on February 16.

The date could mark a rise from the political ashes for the Count and, for a moment, the remains of the Flick affair, final consignment to an unmarked grave.

## Glemp hits back over attacks on church

By Christopher Bobbald in Warsaw

THE HEAD of Poland's Roman Catholic Church, Cardinal Jozef Glemp, has accused the government of seeking to subordinate the church and has protested against a widely publicised newspaper article suggesting that clerical incomes are inordinately high and should be taxed more heavily.

His accusation, made in a head-on attack on delivered in Warsaw Cathedral on Tuesday, comes just a week before an important meeting between General Wojciech Jaruzelski, the Polish party leader, and Pope John Paul II in the Vatican.

The Pope is expected to express disappointment at the general's failure to pursue the more liberal policies (fore-shadowed at their last meeting during the Pope's visit to his native country in 1983).

Cardinal Glemp's strident tone belies the impression given over the Christmas holidays, when the officially controlled media broadcast Midnight Mass between church and state were good and would remain so until the Pope's next visit planned for June.

He said that recent letters from the Ministry of Religious Affairs to the church were "highly conducive to the atmosphere of goodwill needed to make that visit a success. Although he did not reveal the content of the letters, they presumably contain demands to curb the activities of "political" priests.

Such pressure, he said, only served to heighten political tensions. However, he added that politics, in the strictest sense, would not be tolerated in church.

The Cardinal also criticised as half-truth a recent article in the weekly Polityka which estimated that parish priests earned twice as much as government ministers and that they paid only 0.5 per cent income tax rate compared to 10 per cent before the war. He pointed out that parish priests had multiple costs to bear, including parish employees.

## Oil output up sharply in Soviet Union

SOVIET OIL production totalled some 615m tonnes in 1986, a sharp improvement over the previous year's output, according to the Oil Minister, Vasily Dinkov. Reuter reports from Moscow.

The official news agency Tass quoted him saying production had stabilised to reach planned daily output levels thanks to a restructuring of the troubled sector, the weak spot of the Soviet economy since late 1983. Last year's production figure fell 10 per cent from 680m tonnes targeted for the year, but was well above 1985 output of 595m tonnes.

But the investigation — which Mr Kohl alleged was politically motivated — was dropped last May — and since then the scandal has gone cold. In the run-up to the election, the affair now is hardly mentioned in the press.

Count Lambsdorff's complicity in the long-running Bonn court case, dubbed by the newspapers as the "trial of the century" but now out of the headlines — another former FDP Economics Minister, Mr Friedrich Karl Flick, was sick of the problem surrounding his company's dealings.

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## FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd, 1, Abchurch Lane, London EC4A 3DF, England. Registered in England. No. 100040. Published daily except Sundays and public holidays. U.S. subscription rates \$365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 68th Street, New York, N.Y. 10022.



## OVERSEAS NEWS

Peter Ungphakorn examines a growing dilemma for the Bangkok Government

## Thailand tackles farm-dependent economy

THAILAND is the latest in a long list of nations forced by the economies of today's world to try to reduce the emphasis of agriculture in the economy.

This is an exceptionally tricky transition for a country like Thailand to make, with the bulk of its 50m population dependent on the land for a living which thus far has produced a remarkably cohesive and reasonably stable society.

However, after centuries as an essentially rural and agricultural society, Thailand is moving quietly away from farming in search of the fruits of other economic fields.

Rice, once the country's principal foreign exchange earner, has been replaced by tourism. As agricultural recession starts to bite in the country's largest rice and tobacco exporting nations, sectors such as the labour-intensive manufacturing industries begin to play a stronger role in bolstering the economy through export earnings.

Falling returns have nudged more farmers out of the countryside and into the more prosperous urban areas in search of work. Some have even gone abroad.

Yet this transition remains too politically delicate for it to be an unadvised and official and desirable economic objective. The largely civilian Government of Gen Prem Tinsulanonda has come under pressure to subsidise falling farm prices.

So far, the Government has been

unwilling and unable to estimate large amounts of cash either to subsidise prices or to make grants to encourage farmers to become more competitive in international markets.

However, some rifts are beginning to appear among the Thai leadership ranks. While these are likely to preoccupy the politicians it is possible that political differences could result in the complaints of the rural community getting more attention from all sides.

In his seven years as Prime Minister, Gen Prem has survived two coup attempts and two general elections, and warded off several political rivals. Thailand's constitution has allowed him to remain in office without standing for election. For a few months after the general election last July, his position seemed stable despite squabbling within and between the elected parties in the coalition.

Recently, rifts have been reported, but officially denied, within his own powerful group of military and civilian appointees. But in the past, jostling for power has had little effect on the economy's momentum, even if it has distracted government from longer term planning.

In 1986, GDP growth was between 4.2 and 4.5 per cent, with over 5 per cent expected in 1987. The current account is probably now in surplus for the first time in decades. Thailand has just embarked on its sixth five year development

plan. Between now and 1991, a considerable increase in private sector initiatives - and money - is being sought for maintaining growth at 5 per cent per year or more. The average over the previous five years was 4.9 per cent, with about 6 per cent achieved in 1983 and 1984. Under the Fourth Plan (1977-81) the average was 7.1 per cent.

The country's planners see little room for the Government to play a large role in the economy, despite the leeway created by lower imported oil prices and interest rates.

Revenue limitations, debt servicing commitments totalling a quarter of the budget for fiscal 1987, and Government reluctance to touch another fifth of the budget given to the military, leave it with little room for manoeuvre. Hence the emphasis on the private sector filling the gaps, including that of privatising a number of loss-making state enterprises.

For the Sixth-Plan, private investment is targeted to accelerate from an average growth rate of 0.6 per cent under the previous plan to 8.1 per cent. That would give the private sector a 70 per cent share of total investment, although some economists doubt whether the target can be reached.

Dr Snoh Unakul, secretary-general of the planning agency, recently told the Council of Foreign Relations in New York that he considered Thailand to be the front running economy in Southeast Asia.

soon to take its place among the likes of South Korea, Hong Kong, Taiwan and Singapore. But to do that, Thailand will have to continue to reduce the economic and labour importance of agriculture.

The World Bank ranks Thailand above Indonesia and the Philippines but below Malaysia in the lower middle income bracket with a growth rate that is better than its neighbours, both this year, and possibly the next.

The position has helped Thailand with its industrial export growth. The smaller volume of textile and garment exports, for example, has allowed it to slip these into US markets where stiffer barriers are imposed against more advanced developing and industrialising countries. Cautious monetary and fiscal policies have given the country a good credit rating. A devaluation in 1984 and a "managed float" of the baht since then have helped exporters, although causing some suffering for importers.

But Dr Snoh is under no illusions about the problems facing agriculture and rural Thailand. For the Sixth Plan, his National Economic and Social Development Board could only hope for agricultural production to continue to grow at 2.9 per cent annually - less than two thirds of the rate for the economy as a whole.

For much of the sector, growth has been worse. Two years ago, the value of manufacturing output over-

took that of agriculture. Tourism, which could earn the country Baht 37.4bn (\$1.44bn) this year, has replaced rice as the number one foreign exchange earner.

Much of the government's effort is directed towards the urban sector. Policies include: More foreign investment and gradually making conditions more favourable, particularly by cutting red tape. Foreign participation in the Securities Exchange of Thailand is also being encouraged as part of an effort to direct more funds towards equity investment, so far with mixed results. Financial restructuring aimed at mobilising more savings and reducing the proportion of investment through borrowing is one of the aims of the new development plan.

Tax reform, which presents a dilemma, The Government desperately needs to raise more revenue, having chronically failed to meet its targets over the past few years. But it also needs to reform the tax structure to remove some of the disincentives to economic activity. That means reducing revenue at first until economic growth and the hoped-for incentive of a broader-based and fairer system encourages people to pay more tax.

Providing jobs for an estimated 3.5m entrants to the labour force in the next five years. The emphasis is on developing small scale industry, particularly in rural areas, again depending on private sector participation.

## Peking derides Hanoi's claim of success in border clashes

BY ROBERT THOMSON IN PEKING

CHINESE and Vietnamese troops have clashed in recent days, with Hanoi claiming that attacking Chinese forces suffered 500 casualties, and Peking claiming that its troops counter-attacked after Vietnamese "provocation".

Vietnam's claim makes the skirmish the most significant since Chinese troops surged into that country in 1979 to "teach it a lesson" after Vietnam invaded Kampuchea, but a Chinese Foreign Ministry spokesman said yesterday the casualty claim was "sheer boasting".

The official Vietnamese news agency claims the Chinese attacked the northern province of Haiphong on Monday.

The Chinese Foreign Ministry said that Vietnamese attacks had been "met with forceful counterattacks by frontier guards". The so-called battle victories declared by Vietnam are sheer boasting. The reports are designed to deceive the Vietnamese people and world opinion.

In the first casualty figures given by China, the official New China News Agency said border guards had "wiped out 200

Vietnamese troops" by about 7 am on Monday, while a Vietnamese company was "annihilated" yesterday morning.

Diplomats here say the border clash, one in a series of such incidents since the two countries fell out in the late 1970s, could be part of the Chinese strategy to distract Vietnamese forces from Kampuchea, where China backs the resistance coalition fighting the occupying Vietnamese.

Asked whether the clashes were linked to the Kampuchean issue, the Chinese Foreign Ministry said: "While we are conducting counterattacks, we are also closely monitoring the movements by Vietnam in Kampuchea".

Peking said Hanoi's allies during the Vietnam War, are now the best of enemies. The Chinese like to call Vietnam the "little hegemonist", while the Soviet Union is the "big hegemonist".

The neighbours fell out over Vietnam's increasingly cosy relationship with Moscow and, more importantly, the Vietnamese invasion of Kampuchea in late 1978 that toppled the Peking-backed Khmer Rouge regime led by the brutal Pol Pot.

China has warned that it will teach Vietnam a "second lesson". But the "first lesson" in 1979 was poorly executed and an embarrassment for the Chinese, who withdrew after less than a month with higher than expected losses. Since then, the two countries have clashed regularly along their 1,100 km border.

In recent months, the Vietnamese have stepped up their campaign to improve relations with China, but Zhao Ziyang, the Chinese premier, said a few weeks ago that friendship was impossible until the Vietnamese left Kampuchea.

Until then the Premier said, "China will not change its policy of exerting pressure on Vietnam along the border, and our troops must be ready to take the necessary action at any time." China has pressured the Soviet Union to encourage Vietnam to leave Kampuchea, and Deng Xiaoping, the Chinese leader, last year offered to meet Mr Mikhail Gorbachev, the Soviet leader, if Moscow withdrew its support for the Vietnamese occupation.

## Hong Kong hits at UK on refugees

By David Dodwell in Hong Kong

POLITICAL leaders in Hong Kong yesterday severely criticised the British Government for its failure to take a lead in relieving the problem of Vietnamese refugees in the territory.

They complained that Hong Kong had been penalised and exploited because of its decision to abide by commitments to provide first asylum to boat refugees.

They gave the colonial administration six months to obtain from the British Government commitments that would solve the refugee problem, after which a much harder line be considered on whether sanctuary should be given to new arrivals.

At the year's first meeting of the Legislative Council, Hong Kong's foremost law-making body, political leaders condemned Britain for failing to honour commitments to Hong Kong on the resettlement of refugees. Britain has taken just over 1,000 refugees over the past five years, compared with more than 8,000 going to the US, 5,000 to Canada and 3,000 to Australia. A promise to absorb a further 500 refugees expired at the end of 1986, and the British Government has made no further commitments for this year. Other recipient countries have in recent months trimmed back resettlement programmes, insisting that Britain was obliged to take a lead.

## S. Korea party chief offers to go

SOUTH KOREAN opposition leader Lee Min-woo offered to resign yesterday hours after being accused by leading dissidents Kim Dae-jung and Kim Young-sam of lack of leadership, a spokesman said, Reuters reports from Seoul.

Hong Sa-dok, spokesman for the New Korea Democratic Party (NKDP), quoted Lee as saying he could not continue as party president with the two dissident leaders accusing him of not waging an effective fight for democracy.

Lee's offer has yet to be discussed by party executives. There was no immediate comment from either of the two Kims, who control the main opposition party behind the scenes and head a major dissident group, the Council for Promotion of Democracy.

The Kims told reporters earlier that Lee had committed a grave error by wrongly suggesting the opposition could accept a government proposal for a cabinet responsibility system instead of direct presidential elections.

It was the first time they had criticised the NKDP chief in public.

Lee suggested last month that the NKDP could consider the proposal by the ruling Democratic Justice Party (DJP) if the Government granted more liberties, including fair elections, a free press, provincial autonomy and the release of jailed dissidents.

## Tough test of Portugal's mettle

TALKS in Lisbon this week over the fate of Macao, the tiny Portuguese enclave on China's southern coast, are expected to set the scene for the next and most difficult round of Sino-Portuguese negotiations in Peking.

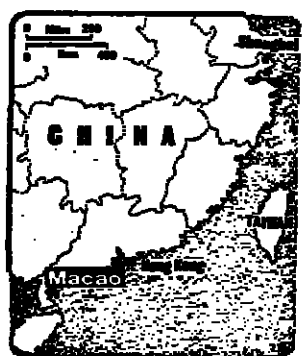
On the agenda are the terms of - and the timetable for - a transfer to Chinese sovereignty, and there are signs of increasing acrimony in spite of early predictions that the talks would be simple and amicable.

It is an irony that in 1975, when Lisbon relinquished sovereignty over Macao, and offered to return the territory to China, leaders in Peking refused. Today, two years after the Sino-British agreement on Hong Kong's future set the year 1997 for the transfer from British to Chinese sovereignty, Peking is pressing for the speedy return of Macao.

It is the turn of Lisbon to drag its feet. Over the past year of negotiations on the future of Macao, Peking has made it clear it wants sovereignty before the end of the century. Lisbon, more it seems for reasons of dignity than practical need, wants more time. The dates 2015 and 2020 have been mentioned.

Dr Joaquim Pinto Machado, Macao's Governor, this week meets in Lisbon with President Mario Soares to discuss the position Portugal's negotiators should take in talks

David Dodwell looks at the background to negotiations on the future of the Macao enclave



with Peking, so a second issue seems to be a focus of dispute - Portugal's desire for Macao people to be entitled to dual nationality after the transfer of power.

As Hong Kong residents will recall, Peking daily rejected any suggestion that they could be anything other than Chinese citizens and the territory appears to face the residents of Macao, 97 per cent of whom are ethnically Chinese. Lisbon has in the past offered full Portuguese nationality to Macao citizens if they request it.

This contrasts sharply with the policy of Britain, where careful measures have been taken to ensure that Hong Kong residents carrying a British passport have no right to live in the UK.

Chinese and Portuguese officials glibly predicted a year ago that the transfer of power would be straightforward, based on the model of the Sino-British agreement on Hong Kong. Recent developments are proving them wrong, and it is almost certain that further serious

differences have yet to emerge. Macao's legal system, for example, is based on Portugal's, and is manned entirely by lawyers and judges from Portugal. The case for preserving the existing legal system - so fiercely fought over in Hong Kong - is much less convincing in Macao. But the alternatives - applying China's legal system, or the British-based system which is to be preserved in Hong Kong - are equally invidious.

Cynical observers claim talks on Macao's future will be brief because the territory is so marginal to Portuguese politics that there is no will to fight hard to preserve the rights of its 350,000 residents. The talks in Lisbon this week - and the next round of negotiations in Peking - will doubtless be a test of Portugal's mettle.

## Lebanese politician escapes blast

BY NORA BOUSTANY IN BEIRUT

MR CAMILLE CHAMOUN, the former president of Lebanon and most prominent of the country's Christian leaders, escaped an assassination attempt yesterday when his motorcade drove by a booby-trapped car packed with explosives.

Six people were killed, including three of his body guards and 40 others were wounded in the blast. Mr Chamoun, who was driving his bullet-proof grey Mercedes, had minor injuries in his right arm but left the Hotel Dieu Hospital

after two hours, limping slightly but alert and calm. Recently he had endorsed a planned summit meeting between President Amin Gemayel of the Lebanon and Mr Hafez al-Assad, his Syrian counterpart, provided that it did not infringe on Lebanese sovereignty.

Traditionally, though, the 86-year-old Mr Chamoun, a shrewd and witty politician, has been one of the foremost opponents of Syrian tutelage. There were no immediate

claims of responsibility for the latest attempt on his life. It occurred as Mr Chamoun, Minister of Finance in the present government, drove to a meeting with leaders of the Lebanese Front, the Christian political coalition.

There have been at least three previous attempts to assassinate Mr Chamoun. In November 1985 a suicide bomber rammed a truck onto the fortified headquarters of the Lebanese Front. Mr Chamoun served as president from 1962 to 1965



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## A Financial Times Survey SMALL BUSINESSES

The Financial Times proposes to publish a Survey on the above on Monday March 2 1987.

For further details, please contact: ANDREW WOOD on 01-245 5116. FINANCIAL TIMES Europe's Business Newspaper. The content, size and publication date of Surveys in the Financial Times are subject to change at the discretion of the Editor.

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## AMERICAN NEWS

# Reagan officials hit back over Iran scandal

BY LIONEL BARBER IN WASHINGTON

THE WHITE HOUSE, frustrated at Congress's refusal to publish a preliminary inquiry into the Iran scandal, has begun selectively leaking parts of the report favourable to President Reagan.

White House officials have also suggested privately that Lt Col Oliver North, the aide at the centre of the scandal, lied in his written account of the operation to sell arms secretly to Iran.

The White House offensive comes as Congress, now under full Democratic control, is about to launch two separate select committee inquiries into the affair and NBC and the Wall Street Journal published a joint poll showing little improvement in Mr Reagan's approval rating over the past month.

The Democrats this week released publishing a report by the outgoing Republican-controlled Senate Intelligence Committee on the grounds that it was incomplete, misleading and could prejudice the work of the two new committees.

There are numerous discrepancies and unresolved mysteries about the scandal, such as how much money, if any, was diverted from the arms sales to the Nicaraguan Contra rebels and who, apart from Lt Col North, knew about the operation.

Mr William Casey, head of

the CIA and a key figure, will almost certainly not be able to return to his job or resume congressional testimony following surgery last month to remove a brain tumour. Doctors have confirmed that Mr Casey has difficulty speaking and weakness on his right side.

The New York Times yesterday carried a report which quoted unnamed White House officials saying that Lt Col North had falsely suggested in a written chronology that President Reagan had approved an arms shipment to Iran via Israel in September 1985.

The shipment is a matter of bitter dispute. The president's former National Security Adviser, Mr Robert McFarlane, has said in sworn testimony that Mr Reagan approved the shipment. Mr Donald Regan, White House Chief of Staff, has insisted the opposite.

The 11-member Senate Intelligence Committee set up on Tuesday has a seven-month mandate to complete its inquiries. Yesterday the House of Representatives was preparing formally to establish its own 15-member bipartisan committee.

President Reagan, meanwhile, received a clean bill of health from his doctors following prostate surgery and checks to see if there was any recurrence of colon cancer. He could leave hospital as early as today after arriving last Sunday.

## Lugar wins first round

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

SENATOR RICHARD LUGER, the Indiana Republican, has won the first round of his struggle to retain his role as the senior Republican on the Foreign Relations Committee now that the Democrats have taken over the chair.

The senator, who has enjoyed close working relations with the White House and particularly with George Shultz, Secretary of State, has been challenged for the position of ranking Republican on the committee by Senator Jesse Helms, the arch-conservative who has frequently been a thorn in Mr Shultz's flesh.

Mr Lugar's impressive leadership of the committee over the past two years has helped revive its stature on Capitol Hill.

On Tuesday the Republican members of the committee voted 7-0 to support Senator Lugar in his bid to retain his position as senior Republican, one of whom was senator Helms, not attending the meeting.

Next week the 45 Republican members of the Senate will probably be asked to vote on the issue, since Senator Helms is not expected to drop his candidacy.

## GM troubles cut US car output by 4.4%

THE US produced fewer than 8m cars last year—a 4.4 per cent decline on 1985, industry figures show, Reuters reports from Detroit.

The decline was entirely due to lower production by General Motors, which laid off thousands of workers in the face of slowing sales and a slipping hold on the US market, which it dominated for decades.

Despite the lower production of 7.83m, dealers and manufacturers are expected to have record sales of about 16m cars and trucks, eclipsing last year's record 15.72m sales of domestic and imported models.

In contrast to GM, Ford and Chrysler increased output of cars, according to the figures. Analysts forecast that car production would fall further in 1987 as market demand slowed and new cars from Korea, Mexico and Brazil became available.

## Austral falls to all-time low on parallel market

By Tim Coome in Buenos Aires

THE ARGENTINE'S currency, the austral, fell to an all-time low in the Buenos Aires parallel money market yesterday, hitting 1.84 australs to the dollar and creating a gap of nearly 45 per cent between the official and parallel rates.

It is the widest gap since the introduction of the Government's economic stabilisation programme, the Austral Plan, in June 1985.

The parallel rate is viewed locally as a barometer of public confidence in the Government's economic policy much more than other indicators, such as price movements on the stock exchange.

In the past month, the parallel rate has slipped almost 20 per cent against the dollar, while the official rate has slid only 6 per cent, creating pressure for a major and rapid devaluation.

But Mr Jose Luis Machado, president of the Central Bank, said in an interview published yesterday that the Government was not considering changes to its monetary policy.

# David Gardner reports on the tenth anniversary of two radical publications Mexican magazines celebrate their survival

MEXICO recently celebrated two remarkable press anniversaries: the 10th year of survival of the country's two most independent publications.

Proceso, a left of centre weekly magazine with little regard for Mexico's many political shibboleths, and Vuelta, a liberal monthly, review, relentless in its libertarian critique of Mexican public and cultural affairs, have been small but sharp thorns in the side of a regime used to a high level of state management of the media.

They have in common their emergence from the ruins of Mexico's last great adventure into independent journalism, Excelsior, the country's leading daily when it was edited from 1968 to 1978 by Mr Julio Scherer, who founded and edited Proceso.

Nostalgic former contributors recall that under Mr Scherer Excelsior collected probably the finest array of journalists and writers assembled in Mexico this century, making it during his tenure the leading daily in the Spanish speaking world.

Financial and critical from 1971 to 1978 it also published the cultural supplement Plural, edited by Mr Octavio Paz, leading poet and essayist of Latin America and Mexico.

In July 1978, then president Mr Luis Echeverria engineered a Machiavellian palace coup inside the Excelsior co-operative against the Scherer group. Despite an outcry in Mexico, the US and parts of Europe and Latin America, Mr Scherer and Mr Paz (Vuelta's) were forced to move on, carrying with them the newspaper's spark of independence.



Proceso is an eclectic magazine, beginning with Mr Scherer himself. A man of great vitality and humour, with eyes which are penetrating and mischievous by turn, Don Julio, as he is known respectfully in the profession, does not so much edit as impel Proceso.

Its staff work, on a long leash, publishing pieces of widely varying length and often contradictory views.

They are combative, breaking into areas most newspapers pass over such as corruption, justice, and the police, election frauds, the army and companies like Pemex, the state oil monopoly, and Televisa, the powerful private TV conglomerate, both of which are normally as penetrable as the Kremlin.

Madrid and his ministers. Its columnists span the political spectrum.

This attempt to wrench public affairs from the private grasp of the all-embracing Institutional Revolutionary Party (PRI), in power in one form or another since the triumph of the 1910-20 Mexican revolution, is where Proceso converges with Vuelta.

What we want to do is all spheres is to criticize," explains Mr Eduardo Karguza, Vuelta's managing editor. "Since public life here is not public, this is necessary. What defines our criticism isn't so much that it is liberal, as that it tries to untie the knots of rhetoric," he argues.

In Mr Paz's formulation, Vuelta's function is to provide a "free space" for imaginative writers and critical thought, between the PRI/ Government and the unrepresented left of which the poet himself was once a standard

bearer. Vuelta's stature comes in the first instance from its publication of literature, by established Latin American writers like Octavio Paz, Mario Vargas Llosa, Carlos Fuentes or the late Jorge Luis Borges; by their European peers like Italo Calvino, Milan Kundera or Fred Hughes; and through the regular featuring of new writers.

Other writers of world-renown such as Nobel Laureate Gabriel Garcia Marquez have kept away, presumably as uncomfortable with Mr Paz's apostasy as he is with their sympathies for the Cuban Revolution.

But what has carried Vuelta out of these confines and given it national impact here is unquestionably its vigorous espousal of democracy and its imperative for Mexico and its de facto one-party system.

Mr Krauze, a prose writer of luminous prose who specialises in intellectual history, set this agenda with his influential 1983 essay for a Democracy Without Additives, now the title of a collection of his essays, his passionate democratic advocacy. Mr Paz himself, long silent on Mexican politics, returned to the fray with a devastatingly measured reflection on the deceased president's last party entitled PRI, 1929-1985: Time Up.

"Democracy," says Mr Krauze, "is an idea which has given us sales." Vuelta's sales have doubled to around 15,000 since Mexico entered its worst financial and economic crisis for half a century in 1982, brought about largely by a lack of accountability.

Vuelta also launched a South American edition, three months

ago, published in Buenos Aires and capitalising on the restoration of democracy in most of the Southern Cone. "We're all going back to basics; reading de Tocqueville," Mr Krauze enthuses.

This has given Vuelta financial independence, beyond the reach of Mexico's most powerful advertiser, the State, which provides only a quarter of revenue but is in a position to make or break most publications. For instance, has been denied state advertising since 1982, but has survived on an average weekly sale of around \$5,000.

Around half these sales are regional, making Proceso "the only print media organ of a national character in Mexico," according to Mr Jose Castaneda, one of its columnists, and a senior associate at the Carnegie endowment in Washington.

"It has more credibility than any other media outlet. In a country where nobody believes anything, most people believe Proceso," he argues. "But the fact that it only sells 35,000 in a population of 85m shows how far the press in Mexico has got to go."

Scherer's own long-awaited entry in this year's best sellers' list, entitled Presidents, shows how far Proceso, at least, has already come.

The book of a privileged insider who has chosen to become an outsider, it is a deliberately lateral transcription of selected encounters with the last four presidents which produces a surreal vision of the office itself, with its enormous power and capacity for whim, vanity and frivolity.

# Ignoring business cycle 'may mean economic rough ride'

SOME US economists are uneasy about the economic implications of elements of the budget President Ronald Reagan proposed to Congress yesterday. Markets have yet to react because the adverse effects will not be felt for some time.

Analysts' concern focuses on three main areas: the Administration's choice to ignore business cycles by making "straight line" growth and deficit reduction forecasts into the 1990s; the loss of fiscal stimulus implied by reduction of the federal government's budget deficits; and the use of asset

Roderick Oram on analysts' reactions to Reagan's budget

sales as a quick fix which fails to tackle the underlying causes of deficits. Markets paid scant attention to the budget proposals knowing that the final form has yet to be determined by months of political fighting in Congress and between Congress and the president.

Broadly speaking, though, the proposals were along traditional

Reagan Administration lines although the president seems to have weakened his resistance to tax increases if they are called "revenue enhancements" or "user fees".

Administration forecasts of 3.2 per cent real growth in this fiscal year, which began last October, are considered optimistic but not incredible. Rates of 3.7 per cent in 1988 and 3.8 per cent in the following two years "ignore the business cycle," says Mr Robert Brusca, chief economist of Nikko Securities in New York.

Given economic problems such as the trade deficit, the cycle will inevitably recur, bringing a recession which will drive up the deficit as revenues shrink and spending increases, he says. Agreeing that a downturn will come at some point, Mr Philip Braverman, chief economist of Irving Securities, thinks the US will only avoid a recession this year "by the skin of our teeth".

The odds were shortened considerably by plans to cut the budget deficit which will reduce fiscal stimulus urgently required in these sluggish times.

Thus the onus for keeping the economy moving will fall even more heavily on Federal Reserve monetary policy. Mr Braverman expects several discount rate cuts as a result. Beyond the adverse affect of cutting deficits at this stage in the business cycle, economists are also concerned about some of the reduction methods. The sales are "the part of the budget I dislike the most," says Mr David Jones, chief economist of the bond dealer, Aubrey Lantson. "They are a gimmick" which lets the government postpone tackling the causes of deficit, he says.

Administration is aiming for deficit of \$106bn (\$73.14bn) in fiscal 1988

# Community cuts red tape on product standards

BY WILLIAM DAWKINS IN BRUSSELS

CONSIDER THIS: before a British truck can be sold in France, the air brakes have to be sent out to be tested by local inspectors before going back to the UK for installation.

This bizarre return trip can multiply the cost of the components involved by up to 50 times—a telling example of how a lack of agreed product standards can turn a small irritation into a major barrier to free trade in the European Community.

One reason why so many barriers like this still exist is that—at least until recently—setting industry standards in the EEC has been nightmarishly complex. The 180 or so product standards agreed by the Community have come through a laborious process of setting rules for the smallest detail of each product; the result being directives several hundred pages long, that are often out of date by the time of their completion.

Thanks to an accord in 1985 between member states, all that should now change. Under the new approach, the EEC now aims to produce simpler standards dealing with families of products, stipulating that goods can be sold freely throughout the Community so long as they can be shown to be safe.

However, the progress on drawing up new style standards for pressure vessels the first products to receive this treatment, shows that putting good

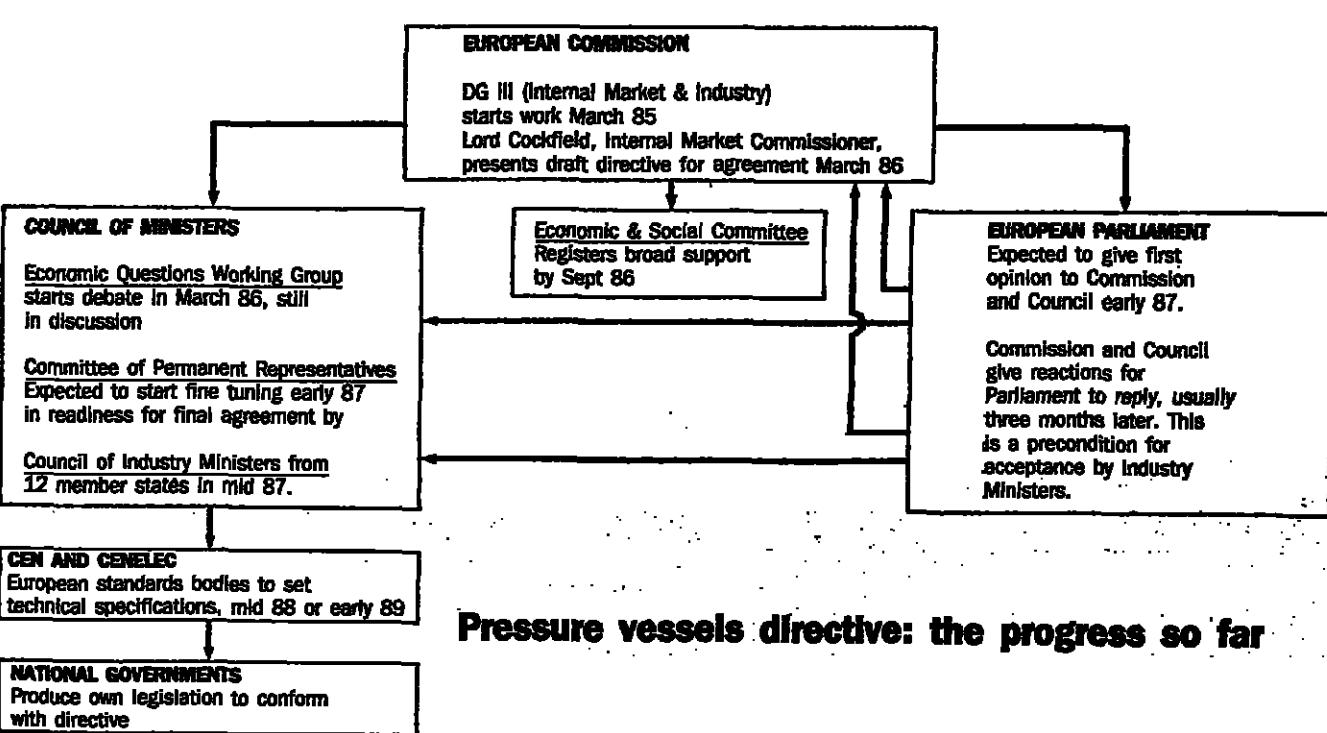
sense into practice in the EEC can be even harder than setting British trucks to Frenchmen. Pressure vessels include air brake cylinders, compressor chambers and gas bottles.

The directive, which emerged from the European Commission shortly after the new approach was agreed in May last year, has now reached the most crucial stage in its progress through the Brussels bureaucracy.

After optimistic claims earlier this year by Mr Alan Clark, the British Trade Minister and chairman of the Community's Internal Market Council, that it would be ready for legislation by Christmas, the directive is only just beginning to get clear of a lengthy debate between national officials over how much detail is should contain.

Commission officials now believe that the pressure vessels standard could be ready for agreement by next July, after which the two Community standards bodies, CEN and GENELEC, will spend another 18 months or more producing technical specifications. In the interim, the new approach envisages that member states will recognise each other's standards, a clause which has evoked some anxieties from West Germany and France.

But even after the delays, progress is much better than was the case with the most recent in a long line of pressure vessels proposals. That was



Pressure vessels directive: the progress so far

bogged down in technical debate for five years before being scrapped and relaunched under the new approach.

"We never expected the first one to be easy. It will prove that the new system will work in practice—and after that the ride should be much smoother," says a senior Commission official responsible for the internal market.

The fact that various Commission proposals for harmonising pressure vessel standards have failed to get anywhere since 1968 made this seemingly obscure product an ideal test vehicle for the new approach.

The main problem has been the adjustment required from national officials to shift from the old style of debating technical detail to the broader remit of negotiating over performance standards; in short getting

them to accept the heart of the new approach.

"People used to technical directives have found it hard to adjust," admits one national representative.

Once out of the hands of its creators at the Commission, the directive then passed last March to the first stage of debate by member states, the internal market council's economic questions working group. The job of the 12 national officials in this group is to agree on a mass of legal detail before handing the document for fine tuning to a more senior group, which will then present it for final agreement by EEC Industry Ministers.

The pressure vessels directive is still at the first stage. The working group has been struggling to find common ground on how far the eight

page draft should go in setting out its "essential requirements," the performance and safety standards which pressure vessels should meet.

France and West Germany have argued during a series of monthly meetings since early 1986 for the inclusion of a certain amount of technical detail that the final form has yet to be determined by months of political fighting in Congress and between Congress and the president.

By October, "we felt that we could have spent years arguing about the shape of the directive, never mind its contents," said one working group member. It was at that point that the British and Dutch representatives felt the process had gone too far and that they were sliding back towards the old approach.

At the UK's insistence, the

working group returned to square one, to debate with the Commission again how to implement the basic philosophy of the new approach—and concluded that the Commission had after all got it right. The only question now is how long they will take to agree on a short-ened version to pass on to senior officials in readiness for final agreement.

Meanwhile, their progress is being watched anxiously by manufacturers, whose lives are being increasingly complicated by the proliferation of overlapping national standards.

"The problems of this directive will almost certainly be the problems of the others," says Mr Richard Griffiths, general secretary of Pneurop, the European compressor makers' association. "It could mean a major change of philosophy not just for us, but for everybody."

# EEC cities compete for trade mark office

By Tim Dickson in Brussels

A POLITICAL battle is being fought in Brussels on the question of where to site the European Community's proposed Trade Mark Office.

The decision is of relatively minor economic importance—perhaps a couple of hundred jobs will be involved—but it is assuming enormous symbolic significance for the 10 member states which have put in formal bids to host the Community's first new institution in its 16-year history.

Only Denmark and Portugal have opted out of the race. The pressure is on the European Commission to decide on the new headquarters since the Internal Market Council is expected to agree a single procedure and common European law for trade marks by the end of this year or early in 1988.

Several outstanding technical issues remain to be resolved—but, as one EEC official puts it, "member states are about to go into the final stage".

Front runners are London, Munich, The Hague and Madrid, with Strasbourg a less favoured outsider as it is already the main home of the European Parliament.

Brussels and Luxembourg also have their fill of existing Community institutions while Ireland and Greece have, in effect, been ruled out because of their geographical position on the periphery of Europe.

The Hague and Munich are already "major centres for intellectual property—a possible advantage, some suggest—while London and Madrid so far have no EEC institutions.

The idea of an EEC Trade Mark Office was first proposed in 1980 and met a largely unenthusiastic response.

The original plans, however, have been greatly modified and opinion now appears to be swinging behind the initiative.

At the same time the aim is to harmonise national trade mark law, which will enable a single giving companies a choice between that and the new European alternative.

European states, meanwhile, have been working towards the ultimate goal of a single European patent,

# Helsinki and Moscow sign trade agreement

By Olli Virtanen in Helsinki

TRADE BETWEEN Finland and the Soviet Union will amount to FM 27bn-32bn (\$5.6bn-6.7bn) in 1987 according to a protocol signed in Helsinki yesterday. Last year trade between the two countries totalled FM 26bn, down by FM 800m from the planned level.

Finland and the Soviet Union have a long-term agreement under which trade must balance in value.

The total for 1987, however, will depend on the oil price. Soviet officials also placed several orders with Finnish companies including one for 11 arctic tankers from Wärtsilä worth FM 900m and another for eight cargo ships from Rauma Repola worth FM 210m. The two Finnish yards have agreed to subcontract up to 15 per cent of the total to Soviet companies, instead of the usual 5 per cent.

The trade protocol, signed by Mr Jermu Laine, the Finnish Foreign Trade Minister, Mr Boris Arlov, his Soviet counterpart, for the first time includes upper and lower limits for the sales category. If oil prices rise, increasing the value of imports from the Soviet Union, Moscow has pledged to buy more goods to trade with the agreed limits.

Finland's metal and forest industry exports will at least remain on the same level as last year. Exports of agricultural products will decline the most.

Mr Laine is confident that the overall value of trade will not be below that of 1986. Only a few months ago Finnish officials were predicting that trade would fall by up to 40 per cent.

Finland yesterday signed a joint venture agreement with Intourist, the Soviet tourist authority. The Finnish airline will renovate Hotel Berlin in Moscow and own 49 per cent of it, with Intourist controlling 51 per cent. This is the first joint venture between Finnish and Soviet companies.

Reuter adds from Helsinki: Rauma-Rekola said it had won orders worth FM 200m for deliveries of paper machinery and equipment to factories in Hungary and the Soviet Union.

It said the machinery for Hungary was for a cement factory board plant. It will also deliver machinery for four particle board overlaying plants and one paper converting mill in the Soviet Union.

## Taiwan surplus rises by 50%

TAIWAN'S trade surplus jumped 50 per cent to a record \$15.82 last year, Reuters reports from Taipei.

Foreign trade volume reached a new high at the end of 1986 soaring to \$83.96bn, against \$50.62bn at the end of 1985.

Mr Augustine Wu, deputy director of the Board of Foreign Trade, said the trade outlook was optimistic for the first half of 1987.

Mr Wu said any US protectionist bills were not likely to bite into Taiwan's exports until later this year.

## Chinese hotel contract

BY STEVEN B. BUTLER IN SINGAPORE

A Singapore consortium has won a hotel construction contract in China, giving further impetus to the island-state's goal of serving as a gateway to the People's Republic.

Mainland investors of Singapore said yesterday it had been awarded a \$894m contract to build a 36-story luxury hotel on Nanjing Road in Shanghai.

The group is a consortium of five Singapore companies, including Hoe Huat Construction and Engineering, Low

Keng Huat Construction, L & M Prestressing, Metro-built, and Ong Chiew Kow.

The consortium has already won a bid to refurbish a hotel in Canton, and is preparing to bid for an office and apartment complex in Peking.

The Shanghai hotel will be the first Jiang Mandarin, which will be managed by the Mandarin chain. It is owned by a consortium of Chinese companies, including the Shanghai Jin Jiang Holding Corporation,

## Dutch-Japan disc venture set up

BY YOKO SHIRATA IN TOKYO

TOPPAN PRINTING of Japan and Philips of the Netherlands have set up a joint studio service company in Tokyo for a new compact disc system. The CD-I (compact disc interactive system) whose standard was announced by Philips and Sony last March, is capable of recording not only sound, but illustrations, and other computer data.

It will allow interaction between sound, text and pictures and is set to have a significant impact on the electronic publishing industry.

The new joint venture Denahi Media Service is capitalised at ¥100m (\$650,000) and is equally owned by Toppan and Philips.

From this April, the joint venture will provide information suppliers with studio facilities and data-processing know-how for creating software on CD-I systems.

Laurea Raun adds from Amsterdam: Philips' agreement with Toppan Printing is part of a concerted, global effort to promote software for the inter-

active compact disc system before its introduction this year. Experience has shown that consumers want enough software available to make a compact disc player worth buying so Philips is pushing the publishing industry heavily to invest in optical technology.

In October the Dutch electronics giant, which pioneered the compact disc technology, reached a similar agreement with the R. R. Donnelley printing company of the US to provide optical production services



1. The first step is to identify the problem.
 2. The second step is to analyze the problem.
 3. The third step is to develop a solution.
 4. The fourth step is to implement the solution.
 5. The fifth step is to evaluate the solution.

communications with TTT, since TTT and CGE have mutually compatible positions in the world market.

The new joint venture company will operate all of TTT's telephone network, consumer telephone and business systems operation worldwide, as well as CGE's global telecommunications business.

CGE owns 33 percent of the new company and the remainder is controlled by CGE and its majority partners, Societe Generale de Belgique and Societe Generale.

Continued on Page 11

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# TRADE

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 supply:

1. Personnel - 1000  
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 3. *Staphylococcus aureus*

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1940

Country	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040	2050
Japan	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0
Germany	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0
France	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0
Italy	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0
Spain	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0
Sweden	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0
United Kingdom	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0
United States	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0
Canada	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0
South Korea	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0
China	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0
India	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0
Indonesia	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0
Philippines	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0	32.0
Thailand	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0
Malaysia	24.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0
Singapore	25.0	26.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0
South Africa	26.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0
Argentina	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0
Brazil	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0
Mexico	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0
Colombia	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0
Venezuela	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0
Ecuador	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0
Peru	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0
Bolivia	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0
Paraguay	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0
Uruguay	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0
Chile	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0	47.0
Costa Rica	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0	47.0	48.0
Panama	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0	47.0	48.0	

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CGE AND ITT TELECOMMUNICATIONS: THE WORLDWIDE CONNECTION



## UK NEWS

# Gilt-edged stock offer receives a cool reception

By Philip Stephens, Economics Correspondent

THE BANK of England's tender offer of £100m of new gilt-edged stock drew a lukewarm reception in the market yesterday, with only a small proportion of the issue taken by primary dealers and investors.

Most of the issue, of 10 per cent Treasury loan 1994, was left in the hands of the Bank of England to be operated as a bank stock. Market estimates suggested that only around £200m or perhaps less was sold at the minimum tender price of £98 per £100 of stock.

The tender offer was announced last Friday when a strong performance by the pound on foreign exchanges was encouraging a sharp rally in the gilt-edged market. Since then, however, the pound has fallen back, generating renewed doubts over the prospects for any fall in interest rates.

Mr Glenn Davies, the gilt econo-

mist at securities house Alexander Leitch & Cruickshank, said that most of the market's primary dealers had been unwilling to take a position in the new stock until the outlook became clearer. He suggested that £200m was probably the maximum amount which the bank had sold.

At Lloyd's Merchant Bank, Mr Tim Cox said that the recovery in the market last week had been exaggerated by the thin trading over the holiday period. The downward correction in prices when normal trading resumed this week had left the issue looking slightly expensive relative to other gilt-edged stocks.

The issue, which yielded 10.4 per cent at its minimum tender price, was specifically tailored to appeal to overseas investors, but dealers reported little demand from foreign clients.

## UK ECONOMIC INDICATORS

**ECONOMIC ACTIVITY**—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Ind. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemp.	Vacs.
1985							
2nd qtr.	109.1	109.1	109	114.9	141.4	3.174	161.7
3rd qtr.	108.3	108.3	108	116.1	143.2	3.124	164.4
4th qtr.	108.4	108.4	108	116.7	143.2	3.122	168.2
1986							
1st qtr.	109.4	109.4	109	119.2	145.4	3.171	166.5
2nd qtr.	108.9	108.9	108	120.9	152.7	3.298	175.6
3rd qtr.	110.5	110.5	110	123.1	157.4	3.212	180.2
4th qtr.	110.8	110.8	110	119.3	152.1	3.290	170.2
May	108.5	108.5	108	118.5	149.3	3.286	172.1
June	107.8	107.8	107	121.7	155.4	3.220	184.4
July	108.9	108.9	109	122.4	158.2	3.222	192.2
August	110.6	110.6	110	122.9	158.2	3.219	201.1
September	110.9	110.9	111	123.2	158.7	3.193	206.4
October	110.9	110.9	111	123.2	164.7	3.166	212.6
November	110.9	110.9	111	123.1	164.7	3.146	212.2

**OUTPUT**—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metal mfg.	Textile etc.	Housing starts
1985							
2nd qtr.	103.2	105.2	113.3	105.7	117.7	102.0	18.2
3rd qtr.	104.3	105.2	113.1	106.2	118.2	103.2	17.3
4th qtr.	102.7	102.7	113.5	103.2	114.0	102.4	15.6
1986							
1st qtr.	102.1	102.5	115.5	102.1	111.2	102.1	14.2
2nd qtr.	104.2	100.5	114.9	102.0	110.9	102.3	13.5
3rd qtr.	105.1	101.8	117.0	102.5	107.7	102.4	18.0
4th qtr.	104.9	101.1	117.9	102.0	108.0	104.0	18.7
May	103.5	100.4	114.2	102.0	111.0	100.0	19.2
June	104.2	100.0	114.0	102.0	112.0	102.0	21.5
July	104.2	101.7	116.1	102.0	108.0	100.0	20.5
August	104.5	101.5	117.5	102.0	106.0	104.0	18.6
September	105.7	102.3	117.3	102.0	109.0	103.0	19.7
October	105.3	103.5	115.0	102.0	111.0	102.0	19.5

**EXTERNAL TRADE**—Indices of export and import volume (1980=100); visible balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US\$bn
1985							
2nd qtr.	120.5	124.5	-124	+1,587	+2,411	97.3	14.32
3rd qtr.	116.3	124.1	-140	+1,445	+1,900	100.2	14.15
4th qtr.	118.9	127.9	-202	+604	+1,882	101.6	15.54
1986							
1st qtr.	116.9	125.7	-147	+549	+1,929	101.0	15.75
2nd qtr.	121.5	128.6	-157	+725	+2,320	102.5	15.28
3rd qtr.	123.2	129.1	-369	-781	+688	103.3	22.42
4th qtr.	121.1	131.6	-681	-62	+215	102.1	19.17
May	121.9	129.5	-681	-12	+287	103.7	18.26
June	120.3	134.9	-686	+115	+249	102.3	19.02
July	117.0	142.9	-1,514	-783	+180	104.0	18.93
August	120.5	139.5	-885	-134	+268	102.5	22.43
September	125.2	140.8	-835	-35	+184	102.2	21.95
October	121.5	146.3	-124.8	-222	+334	101.3	22.01
November	121.5	146.3	-124.8	-222	+334	101.3	21.92

**FINANCIAL**—Money supply M0, M1 and sterling M3, (three months' growth at annual rate) bank sterling lending to private sector; building societies' net inflow; HPR, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0	M1	M3	Bank lending	BS inflow	HP lending	Rate %
1985							
2nd qtr.	2.6	20.5	15.5	+4,625	1,771	3,274	11.59
3rd qtr.	2.9	17.0	12.9	+5,378	2,280	3,431	11.59
4th qtr.	4.1	21.4	19.3	+6,282	2,250	3,385	11.59
1986							
1st qtr.	3.1	20.4	17.4	+6,458	1,453	3,658	10.99
2nd qtr.	3.9	20.7	15.6	+6,581	1,010	3,294	10.99
3rd qtr.	1.2	22.2	20.3	+1,458	796	2,743	11.59
4th qtr.	4.3	27.1	25.8	+2,017	509	2,372	10.99
May	3.9	25.5	21.5	+3,014	777	3,543	10.99
June	5.4	34.4	29.8	+3,287	387	3,719	10.99
July	5.7	22.4	8.4	+2,702	452	2,678	10.99
August	6.6	34.6	17.9	+1,521	-671	2,597	10.99
September	12.2	14.4	14.4	+1,521	1,851	2,796	11.99
October	6.4	27.7	18.6	+3,596	180		11.99

**INFLATION**—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1921=100); trade weighted value of sterling (1975=100).

	Earnings	Basic materials	Fuels	Wholesale	RPI	Foodstuffs	Reuters	Sterling
1985								
3rd qtr.	174.4	132.1	140.2	376.3	335.5	1,706	82.2	
4th qtr.	175.9	132.6	141.4	378.1	337.4	1,771	79.5	
1986								
1st qtr.	178.1	132.4	142.4	380.5	343.2	1,813	75.1	
2nd qtr.	184.0	132.5	142.5	385.7	348.5	1,853	70.2	
3rd qtr.	187.4	129.8	142.3	386.1	348.1	1,858	71.9	
4th qtr.	184.0	126.9	145.4	383.3	347.4	1,786	72.1	
May	182.3	128.4	145.9	386.0	349.5	1,763	76.1	
June	185.7	124.2	145.8	385.8	351.4	1,433	73.0	
July	187.9	119.8	145.9	384.7	347.1	1,460	74.0	
August	187.2	120.3	146.3	385.9	348.6	1,461	71.4	
September	188.3	122.4	146.7	387.8	348.3	1,544	70.4	
October	188.4	124.3	147.0	388.4	347.1	1,584	67.5	
November	187.0	127.0	147.3	391.7	347.5	1,617	63.5	

\* Not seasonally adjusted.  
\* From January 1986 includes amounts outstanding on credit

## Exports insurance scheme will end

By Flora Thomson

BRITAIN'S Export Credits Guarantee Department (ECGD) said yesterday it is to withdraw one of its three loss-making insurance schemes, the comprehensive external trade (CET) facility.

Since 1945, the CET scheme has provided cover for UK exporters organising trade in foreign goods between two foreign countries.

The facility has notched up a trading deficit of £197m since its inception.

Yesterday's move is the third and final decision to be announced by ECGD following extensive, separate reviews of three loss-making facilities it operates.

CET has been available to UK manufacturers, merchants and confirming houses on credit terms up to 180 days. (A confirmer has a financial arrangement with an overseas buyer and undertakes to make payments to a separate and independent supplier. Confirming houses take no responsibility for performance under the sales contract.)

It is solely confirmers who will be affected by yesterday's move and, of the ECGD's just over 100 confirming house policyholders, only about half have current trade business. Cover for manufacturers and merchants will, in future, be available under the department's comprehensive short-term guarantee facility.

CET will be withdrawn from July 31 this year. Letters were sent to the policyholders this week. It will not come as a shock. They have known of the department's concern for some time and have been consulted directly and through trade associations.

The facility has consistently incurred deficits, most heavily since the late 1970s.

## Trade unions back Pilkington against BTR's hostile bid

By Ian Hamilton Fazez, Northern Correspondent

IN A remarkable display of strength and unity that smacked more of a rally than a conference, the trade unions yesterday gave unanimous support to the Pilkington Brothers in resisting the hostile takeover bid for the glass giant by the industrial conglomerate BTR.

About 100 delegates attended the conference at the company's research headquarters in Lathom, Lancashire, in the north of England. They represented the 16,500 employees at all Pilkington's UK factories, laboratories and offices and were joined by union representatives from Pilkington-Flachglas in West Germany and the two work-directors of the company's Swedish subsidiary.

Intensive, organised lobbying of MPs, ministers and major shareholders will start immediately. All-party parliamentary support is already extensive, with two Labour MPs and one Conservative addressing yesterday's conference and an SDP Liberal Alliance representative bringing a message of support from Mr David Owen, the SDP leader.

The first stage of the lobbying will be to try to persuade the Office of Fair Trading (OFT) and Mr Paul Channon, Trade and Industry Secretary, that the bid should be referred to the Monopolies and Mergers Commission in the public interest. A decision on this is expected next week.

The second stage in the campaign will be directed at the 18 financial institutions which are Pilkington's major shareholders. Particular targets will be Prudential Assurance, which holds more than 7m shares, and Norwich Union, which has more than 2m.

Mr Ken Hind, Conservative MP for West Lancashire, told the Union delegates: "If the Prudential and Norwich stay with us, we will see off this bid. If they sell out the smaller ones will follow."

The unions represented were the General, Municipal and Boilermak-

## Lords urge raising of national research effort to Cabinet level

By David Fishlock, Science Editor

THE CENTRAL weakness of Britain's £500m annual research and development (R&D) effort is that it is fragmented and unco-ordinated, says a House of Lords select committee, in a report published today.

It identifies flagging morale among British scientists and a low level of public interest generally in R&D which it says is particularly marked in the City of London.

Companies are urged to disclose their investment to "encourage financial interests to take R&D strength much more into account when weighing a company's future prospects."

They say that a Cabinet minister should take responsibility for the national R&D effort and a central body should co-ordinate the programme. The report adds that a new avenue is needed for publicly funding research in addition to the

present mechanisms. The new route would finance strategic research, which was "the first thing to go when things get tight," said Lord Sheffield, chairman of the committee on science and technology.

Strategic research is defined as research undertaken with eventual practical applications in mind even when they cannot be clearly specified.

It has been identified as a distinct category of research only in the 1960s but is funded mainly as basic or "pure" research, undertaken with no specific application in mind.

Basic research is currently funded by government through a dual-support system, involving both the science budget of the Department of Education and Science and the University Grants Committee. The peers urge a third route "for

funding that strategic research which is of most significance to the United Kingdom's economic future."

But they also see the research councils and government departments, as proxy customers in non-commercial fields, retaining responsibility for some strategic research.

They are critical of the research community's own efforts to evaluate the performance of research, finding its approach "less scientific than the science and technology it is designed to assess."

They want about 1 per cent of all Government R&D funds to be spent on evaluation, which they say "must be approached as a discipline not as a threat."

Civil Research and Development, Report of the Select Committee on Science and Technology. Volume 1. HMSO, 5s.

## Traded options market surges to record

By Alexander Nicoll

VOLUME on the London Stock Exchange's traded options market surged to a record 5,386 contracts last year, 140 per cent up on the 1985 total of 2,231, which itself was double the number dealt in 1984.

The options market has taken off over the past two years as part of the worldwide trend towards use of risk management instruments such as futures and options, and following the privatisation of British Telecom, Trustee Savings Bank and British Gas.

Further growth is expected this year partly because equity market makers - whose numbers were drastically expanded by last October's Big Bang deregulatory reforms - are keen to trade options, either to protect their positions in the underlying shares or as additional trading vehicles.

Last year saw successive daily volume records, reaching a peak on December 8, the first day of trading in British Gas shares and options.

## Stock exchange seeks end of share deal tax

By Philip Stephens, Economics Correspondent

THE STOCK exchange has called for the abolition of stamp duty on share transactions and wants the Government to consider further reductions in the top rates of income tax.

In a letter to Mr Nigel Lawson, the Chancellor of the Exchequer, the stock exchange says that the abolition of stamp duty should be a priority in his spring budget. The removal of the duty, which would not have a serious impact on Government revenues, would improve the liquidity, international competitiveness and effectiveness of the British securities market.

Mr Lawson halved stamp duty in his last budget but at the same time introduced an ADR tax to minimise avoidance of the tax through trading in British shares on overseas markets. If the Chancellor is unable to abolish stamp duty completely he should reduce the ADR tax to a level which does not penalise companies seeking access to overseas markets, the stock exchange says.

Its recommendations, sent to the Chancellor by Mr Graham Ross Russell, the exchange's deputy chairman, also include a number of technical changes which it says would further encourage wider share ownership. The suggested changes include improvements to Personal Equity Plans and further measures to encourage profit sharing schemes.

Referring to the recent move by the US administration to lower its top rates of income tax, the stock exchange says that high marginal rates of tax in Britain will ultimately undermine London's effectiveness as a financial centre.

It acknowledges that that Government has already reduced the top rates of tax, which has encouraged highly mobile international staff to locate in London, but adds: "A close watch must be kept on rates in other countries... to ensure that we do not fall significantly out of step with international trends."

## Jobs check underlines north-south divide

By Hazel Duffy and Charles Leadbeater

THE REGIONAL disparity in employment opportunities was quantified yesterday in the publication by the Department of Employment of the 1984 Census of Employment.

It showed that East Anglia, with the smallest employment base in Great Britain, and the south west, were the only regions where the number of employees in work increased between 1981 and 1984.

The decreases were most severe in the north west, with the loss of 138,000 jobs, followed by Scotland (down 80,000). Wales, the north, Yorkshire and Humberside, and the west Midlands, all lost between 50,000 and 70,000 jobs.

These statistics join a host of others, broken down regionally which confirm not only the gap between the north and south in prosperity, but also that the gap in some areas is growing.

A study of GDP per head illustrates what has happened. In 1979, when the Conservatives came to power, the south east accounted for 11.3 per cent of the average for the UK. By 1983, this was 12.1 per cent. Meanwhile, the north west had gone from 9.6 per cent to 9.1 per cent, and Yorkshire and Humberside from 9.4 per cent to 9.1 per cent.

It is not always enough to look at the bold statistics. The percentage of unemployed, for instance, has risen in the south east over the past four years, from 7.1 per cent to between 8.5 and 9 per cent in 1986. Long-term unemployment, however, is much more pronounced in the more deprived regions.

Pay in the regions reflects variations, even if not as marked as the Chancellor of the Exchequer, would like, as does expenditure. Average spending per person in the south east on commodities and services, according to the Family Expenditure Survey, was £55.40 a week, in 1982-84. That compared with £35.50 for the UK as a whole, £48.40 for Wales, and £47.80 in the north.

The underlying problems of imbalance, in the regions. The 1981 Population Census, for example, ranked the regions, in terms of assisted area status where appropriate, showing the percentage of low-skilled in the economically active population.

The range was from 20.8 per cent in the London area to 29.5 per cent in a sub-region of the north west. Statistics such as these prompted Dr Ron Martin, a Cambridge academic, in a recently published essay "to comment: 'Not only do the peripheral and depressed industrial regions appear to have a low potential for new-firm foundation and science-based activity, they lack the cumulative concentration of qualified manpower, research and development functions, conducive market conditions, and financial and infrastructural advantages, that seems to increasingly characterise what has been termed Britain's 'sun belt' area south of an arc stretching from Cambridge through Berkshire to Bristol'."

The census also shows that workers of ethnic minority backgrounds are still significantly more likely to be "disadvantaged" in the labour market than their white counterparts, despite greater Government interest in promoting the employment of workers of Afro-Caribbean, or Asian origins.



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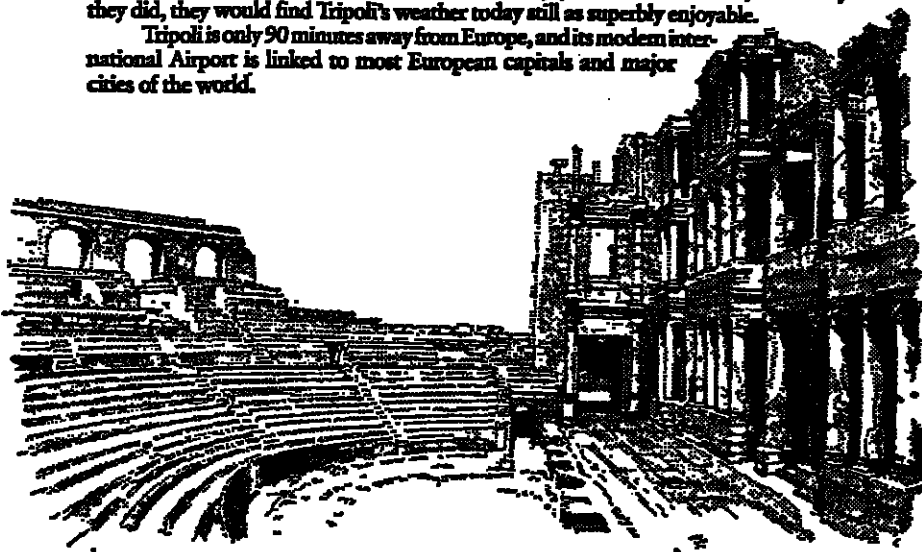
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Thursday January 8 1987

## EMS without co-operation

THE OPEN row between Paris and Bonn over the need for a revaluation of the D-Mark within the European Monetary System underlines the depth of international disquiet at the thrust of West German economic policy. Mr Jacques Chirac knows full well that the last thing Mr Helmut Kohl needs in the run up to a general election is turmoil on the foreign exchange markets. Mr Chirac is under intense domestic pressure as a result of strikes in the public sector and might reasonably have expected EMS partners to rally round to hold up the franc. West Germany, it appears, has been singularly unhelpful during this crisis. Mr Chirac's word is "selfish" — and the French have allowed the franc to hit its lower limit in order to oblige the Bundesbank to take some of the strain. The West German intransigence and the French name-calling are scarcely an advertisement for the EMS as a zone of currency tranquility. Indeed, by ignoring warning signs and allowing a public row to break out, the West Germans have weakened their often eloquent case for full British membership of the system. The spectacle of a Bonn-Paris shouting match is hardly likely to lessen Mrs Thatcher's fears about the possible political costs of EMS entry.

## Tight policies

The root causes of the tension in the EMS are the weakness of the dollar and the intransigence of West German economic policy. When the dollar was strong, the EMS was stable: there was no realignment between early 1983 and the middle of 1985 largely because of substantial capital flows to the US exerted downward pressure on the D-Mark vis-à-vis other member currencies. The shift in parities now threatened will be the fourth in 18 months and an indication of the fact that the D-Mark gains disproportionately when investors lose confidence in the dollar. The French are talking about the need for a revaluation of the D-Mark of no more than 4 per cent against weaker EMS currencies. This looks, if anything, on the low side. The effective 6 per cent devaluation of the French franc in April 1986 had only a limited effect on French competitiveness.

## Mr. Chirac on the defensive

THE PROLONGED strike by French railway workers and its extension to other public-sector areas, without any sign of a quick settlement, has had the expected result of putting the franc under severe pressure. It is understandable, though hardly diplomatic, given the close relationship between France and West Germany, that Mr Jacques Chirac, the beleaguered French Prime Minister, should put most of the blame for the misfortune of the franc on Bonn. That, together with emphatic denials that the Paris Government has any intention of devaluing the currency, is a familiar French tactic on the eve of a possible realignment within the exchange rate mechanism of the European Monetary System (EMS).

At a time when Mr Chirac is the object of fierce criticism from his political opponents and even allies for his domestic policies, it is clearly useful for him to switch public attention to a foreign misfortune. Though his criticisms of German economic policy are certainly shared by others, notably the US Administration, even the most committed supporters of the French Government would find it hard to deny that Mr Chirac must shoulder some of the blame for his country's woes.

The withdrawal by the Government of its plans for university reform under the pressure of massive student protests, followed immediately by a period of widespread industrial unrest, has undoubtedly played its part in undermining international confidence in the franc and the French economy.

**Reputation dented**  
After a good start following the centre-right coalition's election victory last March, which saw the introduction of a programme of privatisation of the nationalised banks and some of the big industrial concerns brought under state control by the previous Socialist government, Mr Chirac seems to have lost his touch. The Prime Minister's reputation as a tough politician who would stick to his guns come what may was badly dented when he backed down before the students, whose opposition to university reform and capacity to mobilise huge numbers of protesters he had completely underestimated. Worse still, this setback has weakened his

WEST GERMANY's big banks could face legislation designed to curb their spreading influence over the country's economy after this month's general election. The banks have come under heavy pressure from both left and right for exerting what critics allege is a dangerously strong influence over events, both industrial and political, well beyond their immediate financial preserve.

These criticisms contrast with the admiration often expressed in the UK for the long-term relationship between German banks and companies, compared with the alleged "short-termism" of British financial institutions.

Accusations that the banks have put a damper on industrial competition because of their involvement in large mergers have intensified. Officials in the Economics Ministry in Bonn say an attempt may be made this year to bring in new laws to restrict bank holdings in industry.

The prospect of this happening appeared to strengthen last month when an influential advisory body to the ministry, the 29-member Academic Advisory Council, attacked the influence banks have over the way companies raise money.

Mr Wolfgang Roth, chief economic spokesman of the opposition Social Democrats, has described the spread of the banks' influence as breath-taking. The Liberal Free Democrats, junior partners in Chancellor Helmut Kohl's governing coalition, have also called for banks to reduce their equity positions in industry.

The influence of the banks is ubiquitous. They are shareholders in and creditors to industry, as well as its stockbrokers. They own or supervise huge tracts of the West German economy and are immune from Germany's normally strict cartel laws. Deutsche Bank has equity stakes worth an estimated DM 13bn in industry, and although the Dresdner and Commerzbank weigh in behind at DM 3bn and DM 2.5bn respectively, they are nonetheless powerful.

## Dangerously strong influence over industrial events

Their influence over company decision-making is not limited to this, however. Under West German law, the banks may exercise a proxy vote of half of investors not able or willing to attend shareholders' meetings. As foreign investors have flocked to the German stock markets, the proportion of absentee shareholders has risen and the banks have accumulated more and more proxy votes.

What they do not own, they supervise. The country's multi-purpose banks have representatives on the supervisory boards of almost every significant manufacturing, trading or retailing company in the country.

Members of Deutsche Bank's main board sit on the supervisory boards of most of Germany's big companies. The bank's power, generation, retailing, steel, chemicals, industrial gas, sugar supply, oil, cement, electricity, is enormous. The banks' economic health and his own political prospects will not allow Mr Chirac to make any compromises of a fundamental nature. Public sector pay, involving as it does some 4.5m employees, is the linchpin of the Government's anti-inflation programme. Commendable progress has already been made in bringing down French inflation to little more than 2 per cent in 1986. Yet this is still too high given the three-way gap between the French rate and that of West Germany, France's biggest trading partner, whose bilateral trade surplus with its neighbour across the Rhine has been rising by leaps and bounds.

No doubt Mr Chirac will have to make some concessions to the rail and other public-sector workers before they agree to end their strikes. But the worst thing that could happen is another "Grenelle" agreement — the name of the deal concluded after the 1983 student industrial unrest, under which the Pompidou Government bought peace with massive wage increases which set off an unprecedented inflationary spiral.

Disarray of the Government has also given President Mitterrand more room to undermine Mr Chirac's position, while the stature of some other potential candidates for the presidency, like former President Giscard d'Estaing and former Prime Minister Raymond Barre, has been enhanced. If Mr Chirac is to fulfil his presidential ambitions in 1988, he will have to demonstrate more firmness and better political judgment than he has over the past few weeks.

## WEST GERMANY'S BANKS

## The political pressures are starting to tell

By Peter Bruce

the past 10 years much reduction has been achieved," says the Ministry official. "But what is missing is information about the area (of equity stakes) between 5 per cent and 25 per cent (which need not be disclosed). We are going to ask for more information — they have not addressed their positions on supervisory boards nor on proxy voting."

The ministry has set itself a difficult, if not impossible, task. The 25 per cent stake is a magic number in West Germany because it triggers an automatic investigation by the cartel office in Berlin — run by Mr Wolfgang Kartte, whose

determined pursuit of cartels is legendary. But the 25 per cent stake is also something of a red herring. Positions of anything below 25 per cent can be hugely influential and are understood to have become more popular as the banks try to escape criticism.

Financiers have been known, for instance, to help their industrial or political friends to avoid Dr Kartte's prying eyes by buying equity in a company over and above a stake of under 25 per cent taken by their clients.

This happened when the aerospace concern, Messer-

schmitt-Boelkow-Blohm (MBB), prodded by Mr Franz Josef Strauss, the Bavarian premier, tried to buy a struggling tank builder, Krauss Maffel, which was being sized up by Vickers of Britain. The cartel office would have none of it, citing an unwarranted concentration of power in the arms industry.

Mr Strauss called in the banks with the result that MBB sold another Bavarian arms producer now own 50 per cent each of a consortium that owns 24.95 per cent of Krauss Maffel. A Bavarian government financial holding has 31 per cent but the key stakes are ones of around 10 per cent each held by Deutsche Bank, Dresdner Bank and Bayerische Vereinsbank.

The Monopoly Commission indirectly criticised the banks by lamenting the apparent inability of the cartel authorities to stop large mergers like the acquisition of the electricals group AEG earlier this year by Daimler-Benz, creating the country's biggest company. Deutsche Bank owns more than 25 per cent of Daimler and has been accused by the political left and in some business and financial circles of having arranged the deal.

The commission report concluded: "The non-prohibition of the Daimler-Benz AEG merger raises the question of whether current laws allow for sufficient control over large mergers."

"It will be very hard to get the information," says the Economics Ministry official. "The banks are trying to kill the discussion." He hints, nevertheless, that an attempt might be made to push through the FDP should it retain a place in government after the general election, to formulate legislation that will curb bank influence.

This could be done through the country's credit laws but, he says: "Our preference would be to impose the cartel laws, although this would be very ambitious politically." There is some opposition in the ministry to resorting to legislation particularly from Mr Otto Schlecht, its senior bureaucrat who opposes excessive regulation.

For one member of the Deutsche Bank board at least, this does not sound like idle talk. "I'm sure they will do something," he says. "Personally, I would love to cut the number of supervisory boards I sit on from 10 to five."

Confronted with questions about whether they are too powerful, the banks are beginning to put the backs of their hands to their foreheads and complain that it is all too much. "If I hear any more about the power of the banks I shall be ill," says one Deutsche Bank director. Nonetheless, the banks feel themselves on the defensive. This was illustrated neatly recently when Deutsche Bank appealed to shareholders to attend meetings and to com-

panies to make their annual reports available early to foreign shareholders in appropriate languages, to motivate them to take up their right to vote.

The bankers are eager to point out that they are not always listened to. In the early 1980s, the steel industry turned up its nose at a restructuring plan drawn up in part by Mr Alfred Herrhausen, and Dresdner Bank appears to have had little success in its efforts to persuade the Quandt family to sell off at least part of its 66 per cent holding in BMW, the car-maker.

Bank profits, helped first by their debt business before the US currency's fall and later by a flourish of activity in the country's once docile stock markets, are at record highs.

"We are always attacked when we are making money," sighs a Frankfurt banker, "but when times are hard, everyone is glad we are around." Bank rescuees, like the one in 1978 of Nixdorf and in 1982 of AEG, comfort industrialists.

"Mannesmann would not exist had Deutsche Bank not stuck by us in the first difficult years of our existence," says Mannesmann chairman Mr Werner Dieter. "The exaggeration of the influence of the banks comes from a certain political direction."

And although Deutsche Bank and Dresdner Bank control Rapag-Lloyd, West Germany's largest shipping line, the group's chairman, Mr Hans Kruse, insists that he is still able to shop around for credit when he needs it. "You have to know how to play the game," he says. "Quite what the shadow being between the banks and their critics will lead to is unclear. The credit industry is split. The savings banks have called for all credit institutions to cut their industrial holdings. The Landeskassen, operated by the different federal states, operate as multi-purpose banks but have special responsibilities towards industry."

Not even the members of the federation, the private banks, are united. The higher banks complain they are under-represented and that the smaller federation members

## 'We are always attacked when we are making money'

are the real brake on lifting secrecy and regulation. Nonetheless, Deutsche Bank and Dresdner Bank appear to be trying to back away from industrial equity, in the hope of being able to concentrate on investment banking at home and abroad.

But in Bavaria the banks are not so sure. "You have to be pragmatic," says a Bayerische Vereinsbank board member meaning that the bank should be prepared to step in with equity when a company needs it.

The deepest division, however, may be between Deutsche Bank and the rest. In 1986 operating profit will be more than four times that of Dresdner Bank, its nearest rival and its size and success cast a deceptive shadow over the rest of the banking industry. Nonetheless, the banks feel themselves on the defensive. This was illustrated neatly recently when Deutsche Bank appealed to shareholders to attend meetings and to com-

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Metals	Preussag Metallgesellschaft	Düsseld. Metallgesellschaft	Preussag
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Consult.	Dyckerhoff Heldberg/Hausmann	Dyckerhoff Heldberg/Hausmann	
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## ECONOMIC VIEWPOINT: THE CHEVENING MEETING

## Be bold only on real reforms

By Samuel Brittan

ORIGINALITY, I had intended to devote the first Economic Viewpoint of the New Year to the eternal verities. But the pre-Budget meeting of Treasury ministers and advisers this weekend, at Chevening, dictates a more narrowly focused approach.

On the face of it nothing is less important than the so-called Budget judgment—this year, whether to aim for a public sector borrowing requirement of £7bn, already given as a ceiling, or whether to try to reduce this by £1bn, to £6bn at the expense of tax cuts forgone.

One can think of many far more important economic issues such as agriculture, avoiding a world trade war, improving the labour market, housing and the regions, to name but a few. Some of these have a fiscal aspect.

Indeed, my general advice to the Chancellor would be to be as cautious as the stiffest Treasury official on across-the-board tax cuts, but to take all the risks on the side of structural measures designed to improve performance at a micro level.

The biggest single economic problem is that the new jobs are in the south east and that people cannot afford to move to them. It is aggravated by three perverse policies: rent controls, overnight controls on development in the south east, and a moratorium on building in the area. The Chancellor's intention—raise land prices, house prices and interest rates all at once.

The Chancellor cannot override the Prime Minister and Cabinet on all these policies, but he can refrain from aggravating them by not raising the £30,000 mortgage interest relief ceiling by single penny. It will be no excuse if he raises the ceiling by £5,000 to say that the Prime Minister wanted it raised by £10,000. As Sir Geoffrey Howe did in 1983, it will be like saying, "I have only beaten my wife five times, not 10 times as you asked me to do." Thus my first test of

the Budget will be the negative one: does the mortgage interest relief ceiling stay put? If it does not, you can forget the rest.

But there is also one positive thing that the Chancellor can do within his political constraints. The top UK marginal rate can and should be brought down to 50 per cent. The revenue cost will be negligible or negative, but there will have to be a political offset. This should come not from massive tax cuts in the middle or bottom ranges, which cannot be afforded, but by removing mortgage interest relief against the higher tax rates on which it is mended in these columns by Giles Keating. If this is vetoed, then the Chancellor should refuse to make any cuts in the top rates at all.

Of the structural reforms now on the political menu, the most

**The Chancellor should be as cautious as the stiffest Treasury official on tax cuts**

important are, first and foremost, a substantial incentive for professional pay (which is the Chancellor's best chance of appearing in the history books), special measures for the long-term unemployed and some modest fiscal encouragement to encourage share ownership (ESOPs).

But I must now turn to the boring bit, about the Budget judgment. I am sure that it is in the Chancellor's personal interest to be as cautious as possible. For the Chancellor's future is uncertain, there is a chance that there will have to be some offsetting tax increases — or emergency ex-wielding on public expenditure — later on, for which he would receive the blame.

Personal considerations aside, it would be altogether false to conclude from the unimpressive of each year's Budget

judgment that the Chancellor might as well be as "generous" as possible. For a series of errors on the side of generosity become important when cumulated over several years.

The table shows the UK fiscal record as computed by the Organisation for Economic Co-operation and Development. The figures for the "general government balance" have the advantage of excluding asset sales and other British accounting quibbles. Of course, no series is perfect. The estimates for 1986 and 1987 are probably too pessimistic and one can argue about the exclusion of nationalised industries. It is still probably the best series we have.

After reaching a peak deficit of nearly 5 per cent of GDP in the "IMF" year of 1976 and surging up again in 1978, the actual balance has, throughout the years of Conservative government from 1979 onwards, fluctuated at around 3 per cent of GDP. It takes the eye of faith to see much of a downward trend, even excluding 1986 and 1987.

The other side of the coin is that the British Government has been able to finance deficits of this size without too much trouble. A forthcoming OECD study shows, however, that the British deficit to GNP ratio has remained remarkably stable since the late 1960s at around 50 per cent of GDP. At present levels, decisions about year-to-year changes in the deficit are best regarded as normal acts of economic policy rather than an attempt to reach some ideal debt ratio. For countries such as the US, threatened with a debt explosion, the matter is different.

The last two columns of the table show some attempted "corrections" by the OECD of the UK deficit percentages, not published in this form before. The final column, the inflation-adjusted structural balance, is printed mainly because some economists love to cite it. It leads to the ludicrous result of an apparent surplus in fiscal policy in a year like 1980 because high inflation then reduced the real value of government debt rapidly



	Change in Nominal GDP	Change in RPI
1978	15.4	8.3
1979	17.6	13.3
1980	18.8	18.1
1981	10.0	11.9
1982	9.4	8.7
1983	8.6	4.6
1984	7.2	5.0
1985	9.6	6.1
1986*	5.5	3.4
1987†	7.0	—

\* Estimate. † Forecast

The adjoining column for the structural balance is more serious. It shows the Budget balance as it would be if output were on trend. This has the advantage of increasing the published deficit in a boom and reducing it in a recession.

Many such exercises are vitiated by being based — wishfully — on unemployment and growth rates normal up to 1978. Thus the corrections are excessively large and favourable. The OECD largely avoids this danger by basing its corrections on the peak-to-peak trend of output, and by making assumptions about the next economic peak is put at 1980 and UK trend growth over 1979-80 taken as 2 per cent per annum.

This structural deficit again shows only moderate deviations since 1980 at around 1 to 1½ per cent of GDP, with the exception of the period of fiscal stringency in 1981-82. The circumstances surrounding that period, which ultimately led to the departure of several Cabinet ministers, were special; and the controversies need not be rehearsed again. More important is that the structural deficit has risen to rise seriously in 1987.

In general, a government claiming to follow sound finance should not spend the revenue buoyancy in a good year or in a year when there are up to 10 per cent in a bad year. To say this is not just "neo-Keynesianism." It is a thoroughly sound and classical way of treating windfalls and shortfalls.

The background to the Budget is that because of the general buoyancy of incomes and spending—not to speak of

## UK GENERAL GOVERNMENT BALANCE % of GDP

	Actual	Structural Balance	Inflation-Adjusted Structural Balance
1978	-4.2	-3.7	0.4
1979	-3.3	-3.3	2.5
1980	-3.5	-1.5	4.9
1981	-2.8	+0.7	5.1
1982	-2.3	1.3	4.7
1983	-3.6	-0.6	1.4
1984	-3.9	-1.4	0.6
1985	-2.6	-0.9	1.3
1986*	-3.1	-1.5	0.2
1987†	-3.3	-2.2	-0.3

SOURCE: OECD, NATIONAL INCOME BLUE BOOK, ECONOMIC TRENDS

a bonus from a higher oil price — the Treasury is likely to forecast, on traditional British definitions, a PSBR before tax changes of well below the £7bn level of the medium term financial strategy to which the Chancellor is pledged.

If the forecast emerges at £15bn or £20bn or £30bn as it easily could—should the Chancellor remit the difference in

**Public borrowing should be reduced as much below £7bn as revenue will allow**

taxes or should he take the opportunity to reduce the PSBR?

The basic aim of monetary and fiscal policy should be to secure a growth of total spending, i.e. nominal GDP, appropriate for non-inflationary growth. In the past I have criticised the Treasury for trying to bring down the path of nominal GDP too quickly. But in 1987 it is turning sharply upwards and will be likely to rise by more than the Treasury's forecast 7 per cent, partly for inflationary reasons. A touch on the brake is required.

Should that touch be a fiscal or monetary one? The main impact of a reduced annual government deficit would be on overseas capital inflows—which, as we have seen in the US, bridge the gap between domestic savings and investment. As the balance of pay-

ments must balance, smaller overseas borrowing means a reduced current deficit. A little less spending at home will mean more goods available for export and less money spent on imports, when supply potential is reasonably stretched.

After several years of large payments surplus and an enormous build-up of overseas assets, alarmism over the balance of payments of a 1980s kind is misplaced. The average independent forecast of the current deficit is 2 per cent of GDP and the highest, 1½ per cent—compared with the US level of 4 per cent.

On the other hand, it does not make much sense for Britain (or the US) to remain a net borrower to finance not investment but government spending; and there is uncertainty about whether the payments deficit from 1988 onwards will be on a falling or rising trend.

Thus, one does not have to be an alarmist to say that there are risks that the balance of payments gap will be too high, and that the desirable direction in which to move it is back towards the black. On top of this there are the cruder dangers to currency confidence and political risks if individual months or quarters of bad trade figures do not seem to be corrected by policy.

All in all, the case is overwhelming for playing safe and reducing the PSBR as much below £7bn as the buoyancy of the revenue allows—especially as the economy needs a tax stimulus like a hole in the head. It is only on micro reforms that a modest remission can be risked.

## Lombard

## The case against nominee funds

By David Goodhart

COULD CITY scandals become the Tory Party what Bantz Council has been to Labour? There is little evidence to support such a view. The government is nevertheless sufficiently anxious about the electoral consequences of City scandals to have taken steps, over the past few weeks, which would surely have been denounced as "gross over-reaction" coming from a Labour administration.

Just as Labour was once said to be the only party which could restrain organised labour, perhaps the Tory Party, propelled by political fear—is now best placed to discipline its supporters in the City.

Other aspects of this government's strategy—such as the creation of a new generation of shareholders and the increased flow of foreign earnings from financial services—may also now depend on a cleaner image for the City. Thus for those members of all parties and none who support tighter policing of the City here is a magnificent opportunity to press the Government to show it means business.

Take just the one topical issue of insider trading and nominee funds. Since 1980 the investigation of half of the insider dealing cases has run into the problem of offshore nominee funds. If this govern-

ment wants to prove it is serious about making life more difficult for City crooks it could put new restrictions on how such secret funds are used. This would not create insuperable difficulties. Indeed the government has gone some way down this path by giving the DTI powers to close down UK branches of, say, Swiss banks which refuse to reveal the beneficial owners of accounts.

There are, however, two problems. First, it is doubtful whether the DTI would take such action because it is caught in a classic internal conflict of interest as both the policeman of the UK securities industry and the promoter of its invisible trade balance (which has in the past benefited from relatively lax rules). Second, closing down UK branches of foreign banks will simply not affect the majority of nominee funds and brass plate companies which have no branches.

The only solution is to ban members of the Stock Exchange (or any organisation covered by the SIB) from dealing with any nominee fund or account which is not prepared to identify its beneficial owner—an idea proposed by Tory MP Tim Yeo during the committee stage of the Financial Services Bill.

A predisposition towards transparency should benefit any marketplace. That does not mean all nominee funds could or should be banned. Unit trusts, pension funds and companies all have legitimate, bureaucratic uses for nominee funds. But as secrecy is not essential for these purposes there is no reason why funds should not have to register their true beneficiaries with a body like the SIB. In return they would receive a clearance number which could be logged in any deal and any firm found trading with an unregistered nominee fund would face severe penalties.

This need not prejudice the secret accumulation of stakes by acquisitive companies as no-one but the SIB officials should know the beneficial owners. Those officials would only divulge the information to the DTI or Stock Exchange in the event of insider trading suspicions.

The system would not be unworkable. The City is full of sharp lads who are paid large salaries to think of ways round such obstacles. But on the weighing-the-garden principle it may help clean things up for a while. The advantage is that it does not depend on the goodwill of the authorities in Panama or Liechtenstein although, incidentally, some offshore authorities—particularly the Isle of Man and the Cayman Islands—are increasingly open-minded about their traditional secrecy arrangements.

If the Government really wants to appear tough on its supposed friends in the City why does it not insist that all City professionals also have to register before dealing on their own account, or perhaps even have them from dealing altogether? Many foreign firms in the UK already operate such rules so there should be little damage to the City's international role.

## Trade shadows lengthens

From the President, National Farmers' Union.

Sir—Your leader of January 5 "Trade shadow lengthens" was disappointingly one-sided.

It is a matter of extreme regret that the Americans have decided to threaten retaliation against the EC for the consequences of enlargement. But it seems unreasonable to place the blame on the EEC when the Community has a strong case for arguing that its actions conform with international trade law and has established an interim arrangement by which American agricultural exports will not suffer pending a final resolution of the dispute by GATT.

You might also have mentioned, as recent articles in your paper have shown, that the American taxpayer pays far more for US agricultural support than his European counterpart.

**Simon Gwynne, Agriculture House, Knightsbridge SW1.**

## Privatising airports

From Karen Hancock and Kim Swales

Sir—Mr Powrie (December 30) delightfully exposed much of the humbug propagated by the airports lobby over the need for further airport privatisation. He talks, however, of supply being determined by the market mechanism on the grounds that this would give British Airports Authority huge monopoly profits. But is this a major stumbling block? Two issues are usually thought to be important in this sort of situation: a profit-maximising monopolist will restrict output to force up prices, thus making consumers pay more for less; and the distributional effects of monopoly profits are usually taken to be undesirable; consumers' interests should take precedence over shareholders'. By neither of these arguments carries much force in this case.

Airports could price-discriminate by auctioning-off individual access "slots" to the airlines. This profit-maximising behaviour implies that an airport would be prepared to sell any time-slot as long as an airline offered a price greater than the cost of servicing the landing. There is therefore no incentive for an airport to reduce access to force up prices. Under this scheme, the airport also captures all the economic rent from its favoured location. This would increase substantially the profits from at least some of the BAA airports. The value of these increased profits, however, would be incorporated into the share price for

## Letters to the Editor

BAA when it is privatised later this year. Air travellers will lose, but the taxpayer will gain. Is this terribly unfair?

As Mr Powrie states, the issues of airport provision and operation are very important and involve substantial amounts of money. Given that we are going to get a privatised BAA, why not give the market a chance?

**Karen Hancock, Kim Swales, 118, Calder St, Gillingham, Kent.**

## Accountability at local level

From Mr W. Chavley

Sir—Mr Wilfred Aspinall (January 2) posed the question "what controls would be instituted over high spending local authorities?"

In the first instance, because local accountability should be the cornerstone of effective local government, in principle those who use the services provided should be prepared to pay for them.

Implementation of the "community charge" will require everyone 18 years and over to contribute. It is reasonable to assume therefore that many more people will have a direct interest and concern in the way their money is spent in providing local government services.

This being the case, there will be far greater pressure on local councils to provide effective "value-for-money" facilities; such public pressure will give increased significance in the use of the ballot box to ensure the public accountability of elected members.

Clearly, this being the case, electors would, no doubt, be even more insistent that the officers serving them should be equally accountable in the administration of council policies.

In so far as the officers are concerned the following points should be borne in mind. There is a case for creating the right approach with regard to management development. At the end of the day it is people (particularly managers) that create effective (and not just efficient) change. The eternal problem of the public sector is to relate accountability to the relevant authority (i.e. the "proper officer") and to highlight the "buck-passers". Conversely, many able managers are frustrated by the limitations placed upon their roles, and they see little opportunity for career advancement.

The end result for rate payers, more often than not, is a low "value-for-money" performance by local councils.

**Walter F. Chavley, 29, Alma Way, Heath End, Farnham, Surrey.**

## Property tax

From Mr J. Sinclair

Sir—Your interesting article of January 2 favours the introduction of a value based property tax over a straight land tax on the grounds that it will have "no effect on work incentives" and it would "capture revenue from rising values—more reliably buoyant than a land tax."

The first supposition is obviously questionable. The incentive to improve property would decline. The tax would depress activity in the building trade.

The second seems to assume that property prices are not linked with land values. This is unlikely, because from the site of the bricks and mortar declines. It is the market pressure to occupy that particular site that induces the value.

Your correspondent is right to conclude that the major drawbacks to a simple land tax are vested interests—land owners, farmers, etc. But the intrinsic justice of the proposition easily outweighs risk of upsetting these interested parties.

The land tax returns to the people the values of the land which are created by them. Their presence determines the land prices.

Unlike a value based property tax, a land tax does not attack the fruits of man's endeavour. It merely realigns the advantages conferred on a particular site by the community and by the creator.

The Chancellor could have no better supporters for his next budget.

**Jeremy Sinclair, Millfield Cottage, Millfield Lane, Highgate, N6.**

## Breach of trust

From Mr M. Brady

Sir—While sympathising with the thrust of Professor Myddelton's argument (December 29) that successful speculation promotes coordination in the

market, it is clearly the case that some investors are harmed by insider activity. More specifically, those investors who buy a stock after insiders have bought it, will pay a higher price than they would otherwise pay; and those who sell a stock after insiders have sold it, will receive a lower price than they would otherwise receive.

Although it does not follow that insider activity as such should be a criminal offence, I am sure that Professor Myddelton is right to say that those insiders who are guilty of a breach of trust may justly be fired from their positions of trust and rightfully are liable for restitutive damages arising from civil actions which have been and remains the law.

**Mark Brady (Assistant Professor of Economics), Pitzer College, 1050 North Mills Avenue, Claremont, CA 91711, USA.**

## Distorting the judgment

From Mrs P. Stone

Sir—Professor Myddelton asks (December 29) "how are honest investors harmed by insider dealing?"

Insider dealing can distort the judgment of top management; consider how the gain, which could be achieved by a dominant and dishonest insider, could outweigh the wider interests of the company.

Mr Sheppard's point of stamping out nominee names (December 30) should also apply to clearing buyers and sellers.

**Mrs Phillips J. Stone, 26 The Drive, E18.**

## Insider dealing

From Professor D. Myddelton

Sir—Mr D. Barnes (December 31) says: "There is... an element of risk in share investment which must be borne by all who invest in the stock market, and which the insider by definition seeks to avoid."

But modern financial theory distinguishes between specific (or "unique") risk relating to a particular security, which investors can avoid by holding a suitably diversified portfolio, and market (or "systematic") risk, which cannot be avoided. (This does lead to certain noteworthy conflicts of interest between managers and shareholders.)

According to the theory nobody can avoid market risk, but if "honest" investors hold suitably diversified portfolios they can avoid specific risk, and thus avoid being harmed by insider dealing.

(Professor) D. R. Myddelton, Cranfield School of Management, Cranfield, Beds.

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Anthony Robinson in Johannesburg reports on Africa's oldest liberation movement

## Winds of change swing in ANC's favour

THE African National Congress (ANC), Africa's oldest liberation movement, today looks back on 75 years of struggle to create a non-racial society. Its prestige is at an all-time high but its goal still lies tantalisingly out of reach.

Its origins date back to January 8, 1912 when several hundred blacks representing the cream of traditional tribal and aspiring middle class black society, assembled in Bloemfontein to form the South African Native National Congress. It was founded by moderate, even, conservative, blacks, in a mood of anguish and foreboding.

Hopes that the British victory in the Anglo-Boer war 10 years earlier would create a more liberal South Africa and extend the franchise and land rights of blacks had been dashed by the 1910 Act of Union.

Rather than extend existing black franchise rights in the Cape province, the Act, exclusively designed to re-unite white Afrikaans and English-speakers, provided instead for their abolition. Three years later, the 1913 Land Act deprived thousands of blacks of their land and limited black land ownership to the reserves.

The continuing deprivation of political, social and economic rights has ensured inalienable grass roots support for the main aim of black aspirations despite unremitting repression and harassment.

Pretoria complains that the ANC is a terrorist organisation. But for the first 50 years of its life, the ANC was committed to non-violence. It was only when driven underground in 1960, the year of the Sharpeville massacre, that its exiled or clandestine leadership embraced a strategy of overthrowing white power through a people's war.

Government propaganda continues to try to persuade whites that the ANC is just a terrorist organisation hijacked by Communists. Its leaders are either in jail, such as Nelson Mandela, Walter Sisulu and Govan Mbeki, or in exile, where



Bearing arms - a mourner at the funeral yesterday of a victim of recent unrest in the South African township of Queenstown carries a wooden gun as a symbol of guerrilla warfare against apartheid.

Oliver Tambo heads the organisation from a cluster of shabby offices off a back alley in Lusaka, the Zambian capital.

Further afield, the ANC has an estimated 10,000 trained guerrillas in camps in Angola and Tanzania and possibly another 1,000 infiltrated at great risk into South Africa itself. Their task is not to engage the most powerful army in Africa in a head-on military struggle but to engage in what the Government calls acts of terrorism and the ANC perceives as acts of "armed propaganda".

Its real strength, however, lies in the extent of its passive support within South Africa's black majority and the worldwide sympathy for its struggle. Later this month, Mr Tambo flies to Washington to talk with Mr George Shultz, the US Secretary of State, the culmination of years of diplomatic efforts to gain international recognition as a key element in South Africa's future.

Yet, less than three years ago at the time of the March 1984 Nkomati accord between South Africa and Mozambique, the ANC appeared to have hit a new low. Its guerrilla

wing, Umkhonto We Sizwe (Spear of the Nation) had been virtually expelled from Mozambique and President P.W. Botha was touring European chancelleries as a harbinger of reform and good neighbourliness.

The picture has changed since, the result not so much of ANC effort than the last 30 months of violent black opposition which has cost over 2,200, mainly black, lives. They have made unworkable Pretoria's strategy of moderating apartheid and co-opting "moderate" blacks into institutions designed to preserve the essence of white control.

The failure of the Government's reform strategy, designed to lessen its dependence on repression, has obliged Pretoria to re-introduce a state of emergency and detain over 20,000 black "activists".

In effect, South Africa is in a state of violent equilibrium. The black opposition is powerful enough to thwart the Government's reform plans but nowhere near powerful enough to overthrow a government in full control of the army and police.

Pretoria's portrayal of the ANC at

the head of an imminent "revolutionary onslaught" which justifies draconian security measures raises the prestige of an external leadership which, in reality, has more of a reaction to events than shaped them.

Despite efforts to step up the infiltration of armed guerrillas and the planting of limpet mines in cities and townships in rural areas, the campaign to make 1986 the "Year of Umkhonto We Sizwe" was not a great success.

White complacency has not been unduly disturbed by scattered bomb attacks and black radicals in the townships still have their doubts about the "softness" of the ANC external leadership following the non-arrival of promised deliveries of arms and trained Umkhonto cadres.

Today in Lusaka, Mr Tambo is expected to unveil the ANC's latest assessment of the struggle ahead. Universally respected for the way in which he has managed to keep the ANC together, a 68-year-old lawyer and devout Christian, is under strong conflicting pressures.

The young radicals who crossed the border after 1976 are still a small minority in the organisation's 30-strong national executive committee. But many are chafing at their forced inactivity in camps far from home, while there is no mistaking the pressure for decisive action from the radical youth of the townships, the trade unions and those detained under the most stringent emergency regulations yet.

But Pretoria, girding itself for a white election later this year, has the security forces on full alert and is determined to break black perceptions of a revolution around the corner.

The underlying balance of black/white power has shifted in the ANC's direction. The inexorable rise in the black population, the greater literacy and sophistication of blacks and their growing role in the economy all indicate that time is on their side.

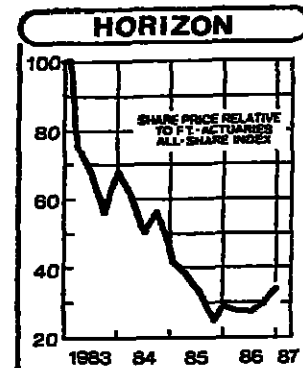
As white business leaders, academics, churchmen and politicians such as Mrs Helen Suzman have warned, failure to negotiate with the present generation of leaders, including Nelson Mandela, will only make future negotiations with the tougher new generation more difficult.

Meanwhile, the economy, faced with growing sanctions and the cut-off of foreign capital, can only decline.

As the ANC moves into its 76th year, the way ahead is as obscure as ever. But the Government, too, is running out of options, and for a growing number of disillusioned whites the non-racial option held out by the ANC seems at least worthy of exploring. After all without their co-operation - and especially that of the predominantly African civil service and security forces - South Africa would be ungovernable. Nobody can be more aware of that than the present leaders of the ANC, including its Communist Party contingent.

THE LEX COLUMN

## Paribas at the Bourse



It may be early days, but 1987 is looking undeniably reminiscent of the start to 1986 in the equity market and fund managers dare not miss out. All-time highs in the FTSE 100 and the All-Share are a response to peaks around the world, forecasts of strong earnings growth, and another attempt on the 10 per cent yield barrier by gilt-edged stock. The difference is that last year lower oil prices were the extra good news, this time it is higher oil prices. Fair enough \$10 oil while it lasted, did not do much for profits. But will \$18 oil?

## Paribas

It is not as if the markets had been deprived lately of chances to put their money into global investment banks, but the absence of a scarcity premium for the sector should do nothing to damage the prospects for the re-floatation of Paribas later this month.

Metro strikes and EMS wrangles notwithstanding, the political climate for French privatisations still appears to be set fair, and the French Government is doing its best to create an air of scarcity - and stable share register for the next couple of years - by backing away chunks of shares with trustworthy institutions outside the main offer for sale.

Though Paribas cannot expect to slug it out with the large Japanese houses in the US market, and its profitability in Eurobonds at number eight in the league table is nothing like as high as for a bank in the top three, it derives enormous strength from its position in the developing French capital markets. However disarmingly the Paribas management denies exploiting its portfolio of industrial investments, there is no doubting that Paribas has the political sort of armlock on a large number of the leading French corporate customers.

Given that losses of FF200m in Credit du Nord will not recur this year, once redundancy costs are out of the way, it is hard to see Paribas making less than FF1.5bn before achieving anything in the way of growth in the rest of its business. The baseline for 1987 profit forecasts is thus FF2bn. Assuming that the preferred Certificates already in issue are eventually to be

converted on approximately a one-for-one basis, the market price of FF432 points to an issue price close to FF400, and a prospective multiple of around 10.

Since the flow of other privatisations will make it virtually impossible for Paribas to have a rights issue in the next year or so, and the opportunity to stack the capital base with perpetual floating rate notes has probably vanished, it is as well that Paribas has already strengthened its equity base. Asset growth may still be constrained, but so long as the bank concentrates on investment banking (and perhaps adds itself a restored Credit du Nord) that may be no bad thing.

Horizon Travel

The power of the binoculars required to scan Horizon's horizon for the full trading recovery has diminished, but that looked-for event is still some way off. A so-called trading profit of £1.65m in the 11 months to October against a loss of £1.98m is only the first step, and anyway was helped to the time of £2m by cutting out November.

In actual trading, although Horizon's progress has been admirable. After getting the market so wrong in 1986, persuading travel agents to send clients on Horizon holidays in 1988 must have been quite a struggle. A measure of the cost in price cuts is that an 80 per cent increase in the number of holidays sold, from 352,000 to 633,000, translates into only a 46 per cent gain in group turnover.

After increasing market share, from 5 to 8 per cent last year, and to around 11 per cent so far this, Horizon's next trick is to rebuild margins: much harder to perform. Cost cutting and management changes have been part of the battle. Price increases and higher volumes will have to do the rest.

With uncertainties like exchange rates, fuel prices, and Horizon's competitors' need to sell holidays, forecasting profits is almost pointless, but a base of perhaps £5m this year could be well beaten if all comes right. The tax charge is another moveable target, but 10 per cent would give a multiple of 16½ with the shares up 2p to 151p yesterday.

More relevant to the shares is the stake building which has helped the price up in recent months. Net assets at 150p per share are probably understated by at least 20p, but that does not leave very much leg room for a bidder. One way or another investors will have to wait.

Eurotunnel

After the difficulties that Eurotunnel had in placing its second tranche of equity - even among those institutions lucky enough to be favoured with a personal call from the Governor of the Bank of England - there was bound to be a good deal of strenuous creative thinking about arrangements for the public offering. If the final £750m failed to materialise next summer, existing shareholders would be entitled to feel a certain amount of grief.

As might be expected, the anxiety that is associated with this enterprise seems to be producing the maximum number of fail-safe devices ever attached to any issue anywhere. No fewer than three underwriting syndicates are to be set loose. And to reach investors other than the confirmed long-term risk-takers already on the share register, there is likely to be a choice of different Eurotunnel "instruments", including a convertible loan. If the issue is truly to cater for all financial tastes, it might perhaps include a Eurotunnel-type debenture for high-tax payers, carrying dividends in the form of guaranteed free passage. But it is possible that by next summer - let alone that of 1993 - there will be fewer high marginal rates for tax payers to avoid.

## Guinness board will discuss controversy

BY DAVID LASCELLES IN LONDON

DIRECTORS of Guinness, the UK brewing giant, last night summoned a full board meeting for next Wednesday to consider the mounting controversy surrounding the company and its financial activities, currently under investigation by the Department of Trade and Industry (DTI) inspectors.

After a series of urgent talks in a secret location over the last two days, the directors said it was recognised "that a full board meeting must take place at the earliest opportunity".

The talks included both Guinness' own executive directors and four of the five non-executive directors who were appointed to the board last year to provide outside representation. A statement last night said that board members had held meetings with Mr Oliver Roux, the finance director, and Price Waterhouse, its auditors, to brief them on the circumstances of the DTI inquiry.

"They have taken and are continuing to take urgent steps to satisfy themselves as to the full implications of what they have learnt".

This new initiative by board members follows widespread suggestions in recent days that Guinness may have breached the UK Companies Act by helping to finance the purchase of its own shares during last year's fierce takeover battle for the Distillers company in order to boost the value of its bid. It is also a recognition that the company cannot await the outcome of the DTI inquiry before reviewing its position.

Guinness has always denied any wrongdoing. However, questions have remained unanswered about a number of its actions during the Distillers bid, notably its transfer to the Henry Ansbacher, the UK merchant bank of £7.8m (\$11.02m).

Acting on instructions from Morgan Grenfell, Guinness' advisers,

Ansbacher claim that the money was to buy Guinness shares. However, Guinness maintains that the money was only a deposit, and on Tuesday it asked for it to be returned, something Ansbacher is refusing to do.

The transfer was initiated by Mr Roux, who was singled out by last night's statement as the executive most familiar with the affairs that are being investigated.

The statement did not mention Mr Ernest Saunders, the company's chief executive, whose position has been under mounting pressure because of the controversy. He has denied any intention to resign although there has been speculation that he might stand aside until the investigations are completed.

In rejecting Guinness's request for the return of £7.8m, Ansbacher yesterday raised the likelihood that the dispute over the money will be taken to court.

In a lengthy reply drafted with its lawyers, Ansbacher stands by its position that it used the money to buy Guinness shares on the instructions of Morgan Grenfell. If Guinness has a quarrel, Ansbacher says, it must be with Morgan Grenfell.

The detailed 10 point letter to Guinness's solicitors Kingsley Napley, says that Ansbacher has been advised that questions of illegality surround the money, and that it should not deal with Guinness's request until these have been cleared up.

Ansbacher also says that it is still waiting to be told exactly who the 3.1m Guinness shares which it holds belong to.

Guinness says the money was an interest-free deposit which Ansbacher must return on January 20, or risk legal action. The letter from Kingsley Napley says it was planned by Mr Roux, and was intended to be left for a month at the most. It was transferred in May.

## London widens insider dealing inquiry after new information

BY DAVID LASCELLES AND PETER RIDDELL IN LONDON

NEW information about potentially illegal insider dealing in the City of London has emerged, prompting the UK Department of Trade and Industry (DTI) to extend its inquiries.

The DTI announced yesterday that it had asked one of the two inspectors it appointed in November, Mr Graham Kennedy, to stay on. The other inspector, Mr Peter Scott, QC, cannot continue because of prior commitments, and he is to be replaced by Mr Henry Brooke, QC.

Mr Graham and Mr Scott have just reported the results of their inquiries into the case triggered by the resignation of Mr Geoffrey Col-

lier, the joint head of securities operations at Morgan Grenfell, the merchant bank. These will be considered by Mr Michael Howard, the Under-Secretary for corporate and consumer affairs. But the DTI said last night: "However, certain recently received information requires further investigation."

It did not say what this information was. But the decision to probe further follows persistent reports in the City that the inquiry has been widened to include several more stockbroking houses. It had been assumed in the financial district that evidence produced by the Collier affair would trigger allegations of insider trading by others.

In effect, this is a second stage of the Collier case and does not amount to a wholly new investigation.

Mr Collier resigned after admitting insider dealing, and he was charged a month ago with offences connected with transactions in the shares of AE, the engineering group.

The DTI emphasised yesterday that the new Financial Services Act, which confers special powers on inspectors, does not require their reports to be published. Because of this, Mr Paul Channon, the Trade Secretary, does not propose to publish the results of the inquiries.

## Banks may seek tunnel support

BY PAUL BETTS IN PARIS

FRENCH and British bankers planning to raise £750m (\$1.1bn) in a crucial public share offer for the Channel Tunnel are considering setting up a series of underwriting syndicates to ensure the success of the issue this summer.

Failure to raise the targeted amount could put in jeopardy some £5bn in loans and standby credits already agreed with more than 40 international banks.

A £200m institutional share placing in October for Eurotunnel, the Anglo-French tunnel consortium, ran into last-minute difficulties. While that fund-raising finally met its target in the UK and France, it failed to bring in as much money as originally hoped in other international markets, especially the US.

French bankers claim that the decision not to opt for underwriting syndicates for the institutional placing was one of the reasons why the recent private placing turned out in

the end a nailbiting affair. French and British banks are now studying proposals to form three underwriting syndicates - one French, one British and the third international.

The French syndicate would be led by the three French banks involved in the Channel Tunnel project, including Banque Indosuez, Credit Lyonnais and Banque Nationale de Paris. The French bankers hope to extend their syndicate to other French banks and financial institutions.

The UK syndicate would be led by Robert Fleming and Morgan Grenfell although other merchant banks would join them, including, it is understood, Samuel Montagu and County Bank.

The international syndicate is expected to be led by Salomon Brothers, Deutsche Bank and Nomura of Japan. But the French bankers say they hope to include banks from

other European countries, such as Switzerland, Belgium and the Netherlands. The feeling in Paris is that while the response in the US to the previous fund-raising was disappointing, there appeared to be investor interest in European countries apart from France and the UK.

The bankers are also considering a range of financial instruments to make the latest plan more attractive. This could include not just offering straight equity but also a combination of convertible loan stock to enable investors to receive an annual dividend payout.

Straight equity would not earn investors a dividend for at least seven years until the tunnel comes into operation. The French bankers say that European investors, especially, would find convertible loan stock a more attractive proposition to straight equity in a complex and ambitious project like the fixed link.

## World Weather

Area	Temp	Wind	Cloud	Area	Temp	Wind	Cloud
Algeria	12-24	10-15	10-15	London	10-15	10-15	10-15
Amman	10-20	10-15	10-15	Madrid	10-15	10-15	10-15
Antwerp	10-15	10-15	10-15	Moscow	10-15	10-15	10-15
Athens	10-20	10-15	10-15	Munich	10-15	10-15	10-15
Bahia	10-20	10-15	10-15	Nairobi	10-15	10-15	10-15
Bombay	10-20	10-15	10-15	Paris	10-15	10-15	10-15
Buenos Aires	10-20	10-15	10-15	Rome	10-15	10-15	10-15
Calcutta	10-20	10-15	10-15	Stockholm	10-15	10-15	10-15
Cairo	10-20	10-15	10-15	Sydney	10-15	10-15	10-15
Cardiff	10-15	10-15	10-15	Taipei	10-15	10-15	10-15
Chennai	10-20	10-15	10-15	Tokyo	10-15	10-15	10-15
Columbo	10-20	10-15	10-15	Warsaw	10-15	10-15	10-15
Dhaka	10-20	10-15	10-15	Zurich	10-15	10-15	10-15

## France retaliates

Continued from Page 1

ment has played down the scale of the Libyan action. Indeed, Paris regards last Sunday's raid as a face-saving operation by Libya, which has suffered an increasing series of setbacks in northern Chad.

The Libyan army is fighting the Chad army, now reunited with former opponents of Chad's President, Mr Hissene Habre. Last week, according to French officials, the Chadians captured the Libyan garrison of Fada, inflicting heavy damage.

The same officials said the French Government had spent the past few days studying a possible response to the Libyan raid which would be designed more as a gesture than an action risking an escalation of the Chad conflict.

Mr Jacques Chirac, the French Prime Minister, made it clear during a broadcast on Tuesday that he had no intention of engaging France in "an adventure" in Chad. He also described the Libyan raid as "an insect bite."

According to French officials, there are now about 8,000 Chadian troops in the north of the country helping some 3,000 supporters of Mr Goukouni Oueddei, the former Chadian ally of the Libyans, who is now reconciled with President Habre.

Mr Oueddei is currently under house arrest in Tripoli, while his supporters are fighting their former Libyan allies in the north.

## Chinese take hard line

Continued from Page 1

for then removing the right to put up posters from the Chinese constitution.

However, his reference to distinguishing positive from negative suggests that he does not yet wish to close down debate among students so long as major public disruption goes no further. It is significant that three days after Deng wrote the letter Vice Premier Li Peng personally ordered the release of some arrested Peking students, showing that some tolerance remained and that the leadership was still being gentler with students than others involved in the disturbances.

THE SCOTTISH INVESTMENT TRUST PLC

A CENTURY OF GROWTH

YEAR TO 31 OCTOBER 1986

	1986	1985	INCREASE
GROSS INCOME	£13.2m	£11.7m	+12.6%
DIVIDEND PER ORDINARY UNIT	6.55p	5.95p	+10.1%
TOTAL ASSETS	£477.9m	£353.2m	+35.3%
NET ASSET VALUE PER UNIT	483.1p	349.0p	+38.4%

Extracts from statement by chairman, Mr. Angus Grossart, LLD:

"Our total assets have increased by 35.3% to £478 million and the net asset value of each ordinary stock unit has risen for the twelfth successive year, by 38.4%."

"Our stockholders have enjoyed, over the last five years, an annual rate of return including re-invested dividends of no less than 29.6% per annum."

"We are independent, our clear aim is the benefit of our stockholders and we are free from conflicts."

"The company will reach its centenary on 27 July 1987. To mark the occasion the board is proposing a free issue of warrants to ordinary stockholders. A savings scheme open to all members is also planned."

For a copy of the annual report, mail the coupon below (no stamp required in the UK) or telephone 031-225 7781.

THE SCOTTISH INVESTMENT TRUST PLC

6 Albany Place, Edinburgh

To: The Secretary, The Scottish Investment Trust PLC, FREEPOST, Edinburgh, EH2 0DH.

Please send me a copy of the 1986 annual report

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_



## INTERNATIONAL APPOINTMENTS

The following are a selection of the General Appointments that appeared yesterday

European Investment Manager  
Chief Financial Executive  
Corporate Dealers  
Recoveries Manager  
UK Institutional Sales  
Stockbrokers  
Equity Investment Manager  
Head of Marketing  
Business Analyst  
Company Secretary  
Director Finance and Development  
Corporate Finance  
Financial Consultant  
Sales Executive  
Pension Fund Manager

**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER  
LONDON · FRANKFURT · NEW YORK

## L. F. Rothschild resigns move to American Express

BY OUR FINANCIAL STAFF

MR THOMAS I. UNTERBERG and Mr A. Robert Towbin, who last month resigned as the top executives of L. F. Rothschild, Unterberg, Towbin, the New York investment bank, have joined the investment banking division of Shearson Lehman Bros the offshoot of American Express.

Mr Unterberg, formerly chairman and chief executive of Rothschild, and Towbin—who had been vice chairman, parted ways with the concern when a dispute arose over its future direction. Mr Unterberg and Mr Towbin have joined Shearson as managing directors, with duties to direct its domestic and international technology group.

Mr Towbin is also to serve on Shearson's investment banking policy committee. The two are to have responsibility for Shearson's venture capital investments.

It was announced shortly before Christmas that the chairman and vice chairman of L. F. Rothschild, Unterberg, Towbin Holdings, which went public earlier this year, were to resign.

Mr Thomas Unterberg and Mr Robert Towbin, who turned the bank into the prime underwriter of technology stock offerings in the early 1980s, have been replaced by two joint chief executives, Mr Robert Schoenthal and Mr Francois Mayer.

The market for high-tech initial public offerings has been weak since 1984, and it is understood that the new executives had pushed for greater emphasis on trading in government and mortgage-backed securities and asset management.

In December, the New York Federal Reserve awarded Rothschild the right to operate as a primary dealer in Government securities.

Mr Mayer came to Rothschild from the London operations of Mr Jacob Rothschild's J. Rothschild Holdings, which owns some 8 per cent of the New York bank. Last year, the bank fought off a takeover bid from General Felt.

## Economic counsellor for IMF

THE International Monetary Fund (IMF) has appointed Mr Jacob A. Frenkel, a university of Chicago professor, as economic counsellor and research director. Mr Frenkel succeeds Mr William C. Hood, of Canada, who has retired.

Mr Frenkel, 43, has most recently been the David Rockefeller Professor of International Economics at the University of Chicago.

## Director for Bear Stearns

By Our Financial Staff

BEAR STEARNS International Ltd, the UK-based offshoot of the Wall Street investment house, has announced that Mr Francois Monté has joined the company as a director. Mr Monté is to provide European institutional investors with investment advice and trading services in US equity issues from the house's Geneva office.

Mr Monté was previously senior vice president and principal at Donaldson Lufkin & Jenrette, of the US, from 1978 to January 1986.

Bear Stearns International is a wholly-owned subsidiary of Bear Stearns & Co Inc, the securities business of the Bear Stearns Companies.

## Canadian National elects new chief

BY ROBERT GIBBENS IN MONTREAL

RONALD LAWLESS, 62, has been appointed chief executive officer of Canadian National Railway Company, in succession to Mr Maurice Leclair, 59, who has also been chairman. Mr Leclair took early retirement, after first joining CN nearly 10 years ago as vice president finance.

Mr Lawless moves as president of the CN rail division, Canada's largest rail network, and retains this post. The position of chairman of CNR has not been filled.

CNR is owned by the Government. The corporation includes the rail division, hotels, real estate and other subsidiaries, but is expected to show a major loss for 1986 as a whole, following a C\$10.4m (US\$7.5m) loss for the third quarter.

The main problem has been the depressed results of the rail division and greater competition from trucking companies. The company recently sold off its loss-making trucking unit.

## GMAC picks chairman

GENERAL MOTORS Acceptance Corporation, the vehicle financing and insurance offshoot of the Detroit concern that is the world's biggest car maker, has elected Mr John R. Edman its chairman.

Mr Edman, who has been vice president and group executive of GM's finance group, succeeds Mr Robert F. Murphy, who retired on January 1 from the post at the non-consolidated subsidiary of the group.

The move is part of a number. Mr Gordon R. Samardich, a GMAC executive vice president, takes up the new post of vice chairman of GMAC, with responsibility for worldwide borrowing, finance and strategic planning.

Mr Raymond M. McCarthy, GMAC president, is to be in charge of worldwide operations, marketing, mortgage banking and insurance.

Mr George G. Fenner, GMAC vice president in charge of marketing, is to succeed Mr Samardich as executive vice president in charge of operations.

CONSOLIDATED NATURAL GAS COMPANY, of Pittsburgh, has announced that Mr George A. Davidson is to be chairman and chief executive from May. In succession to Mr G. J. Tankersley, 66, who is to retire, Mr Davidson, 48, is currently vice chairman and a director of the corporation.

## United Mizrahi fills top post

BY JUDITH MALTZ IN TEL AVIV

MR MICHAEL ZVINERI has been appointed managing director of the United Mizrahi Bank, Israel's fourth largest bank, in place of Mr Moshe Man, who submitted his resignation two weeks ago because of "personal reasons," only five months after taking the post. Mr Zvineri has until now served as deputy managing director of bank.

In another top management change, Mr Yitshak Yager was last week named chairman of the bank, following the resignation of Mr Haim Nedivi, who had agreed to join the bank for a three month period. Mr Yager has until now been the managing director of Mishav Development, a construction company owned by the National Religious Party, which also controls the bank.

The United Mizrahi Bank has been recently plagued by managerial in-fighting and financial difficulties. It was the only one of Israel's major commercial banks to find itself in the red in the first half of 1986, posting losses equivalent to US\$5m.

# Accountancy Appointments

## Financial Controller

South East

c.£25,000 + car

This profitable newspaper group has established a strong market position in its area of the Southern Home Counties. It has invested heavily in the introduction of new technology, enabling it to minimise its cost base whilst maximising efficiency, flexibility and customer satisfaction.

A mature Financial Controller/Company Secretary is sought to make a major contribution to the management of the organisation. Key responsibilities will include budgetary control, statutory reporting and MIS development.

Candidates should be qualified accountants, preferably FCA or FCMA and aged 35-45, with considerable commercial experience gained at Controller level. Knowledge of the newspaper industry would be a distinct advantage. Applicants must offer drive, determination and initiative, in addition to excellent staff management skills.

The appointment offers a highly competitive remuneration package together with excellent opportunities for above average performance.

Please send full personal and career details, in confidence, to Martin Manning, quoting reference 1692/ET on both envelope and letter.

**Deloitte Haskins + Sells**

Management Consultancy Division  
P.O. Box 198, Hillgate House, 28 Old Bailey, London EC4M 7PL

## Finance Director

(Designate)

to £35,000 + bonus and car

Central London

Our client is a well established and expanding group of consulting engineers and planners. With approximately 500 staff, mostly in the UK, the group has a total turnover in the region of £10 million.

The continuing growth of the organisation has led to the creation of the position of Finance Director, to be responsible for the financial, tax and company secretarial functions. Initial tasks will include the staged introduction of new computer systems, critical for management information and billing; the management of an accounts department of 15 staff; the control of cash flow and debt collection; and the provision of professional financial advice, including budgeting and forecasting tools, which the business needs.

in order to plan its future growth.

This is an excellent opportunity for someone to achieve their first top finance role. The successful candidate will probably be a graduate chartered accountant, aged in the mid 30s upwards, with at least three years' commercial experience, preferably gained in a service environment. Good written and verbal skills are important, as are the qualities necessary to lead the function and to represent it with confidence amongst a strong, professional management team.

Please reply in confidence, giving concise career, personal and salary details to: Sarah Orwin, Arthur Young Corporate Resourcing, Ref: ER907, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.

**Arthur Young Corporate Resourcing**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

## FINANCIAL DIRECTOR

UK Based (outside London)

£35-40,000 package + car

Our client is a major publicly-quoted British company with over 60,000 employees in businesses operating worldwide. A well-respected leader in world markets and a household name, the Group is committed to maintaining quality and standards whilst achieving growth and realising the opportunities offered by high technology.

A Financial Director is currently required for one of its Divisions. Reporting to the Managing Director, responsibilities will include strategy development, financial planning, analysis and control and systems review. The Financial Director will be expected to make a significant contribution to the success of the business as a member of the management team and to establish standards for the finance functions in each of the operating units.

The key requirements are for a high-calibre qualified accountant with sound experience of the financial controllership role in a manufacturing environment, who can apply these skills to the general management of a business. Ability to negotiate acquisitions and to raise funds would also be relevant and the individual should be a results-oriented achiever with strong interpersonal skills.

Please write to me, Alex Dalrymple, with full details of your career history and current remuneration. Your name will not be released to the client organisation until we have briefed you and you have given your consent.

Arundell Associates, 104 Great Portland Street, London W1N 5PE.

**Arundell Associates**  
Personnel Management & Training Consultants

## OLYMPUS Sport INTERNATIONAL Leicester

Olympus Sport International is the UK's leading sports retailer with over 100 outlets throughout the country. As a part of the British Shoe Corporation, a subsidiary of Sears plc, they have achieved major growth and employ in excess of 1000 people with a turnover of £50m.

They require a Financial Controller to augment the management team and report to the M.D. assuming total responsibility for the finance function and its continued development. The post provides opportunities for commercial involvement, staff management, systems development and

## Financial Controller

c£22,000 + car

liaison at the highest levels within the group. Candidates, preferably aged 26-34, should be qualified accountants able to demonstrate a high level of technical ability and commercial awareness.

The package includes generous relocation expenses where applicable, an executive car and other benefits commensurate with the post.

Applicants should contact Rod Shaw quoting reference N5003 giving full details of career to date at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX, or telephone 0602 410130.

**Michael Page Partnership**

International Recruitment Consultants  
London Windsor Bristol Birmingham Manchester Leeds Glasgow & Worldwide  
A member of Addison Consultancy Group PLC

## Sector Financial Director Major PLC

c.£30,000 + CAR

Are you the right person to join the financial team of one of Britain's fastest expanding and most successful public companies?

We are searching for a qualified accountant to be the Financial Director of a sector within the main division. As part of the small management team you will be given plenty of responsibility but you will be expected to produce outstanding results.

For this manufacturing environment you must have gained the right experience; you will probably be an ACMA or ACCA. Not only will you need the best technical skills but you must have the personality to be a good communicator.

Your career prospects are excellent and your remuneration package will be generous.

If you are interested, telephone Stuart Adamson or Andrew Nicholson on 0532 451212 or send your CV to Adamson & Partners Limited, 10 Lisbon Square, Leeds LS1 4LY.

**ADAMSON & PARTNERS LTD.**

Executive Search and Selection

## Tax Accountant

Central London

The merger of Chevron with Gulf has led to considerable expansion of our oil production and exploration activities in the North and Irish Seas.

This growth and our commitment to remaining in the forefront of the industry have created opportunities for experienced professional staff within our headquarters organisation.

This important role, within a busy tax team, principally involves:

- \* Preparing UK tax returns for North Sea operating companies.
- \* Participating in negotiations with the Oil Taxation Office.
- \* Advising local operating management on all aspects of taxes as they affect companies in the group.

The successful candidate will have gained experience in the accountancy profession or the Inland Revenue and should preferably be in his or her late 20s or early 30s.

A very competitive salary will be offered commensurate with experience, and a first-class benefits package includes generous relocation assistance where appropriate. Significant career development opportunities exist.

Please send full cv, including details of current salary, in strict confidence, to Mary Gilligan, Human Resources Department, Chevron Petroleum (UK) Limited, 95 Wigmore Street, London W1R 9AA. Telephone: 01-487 8246.



# Accountancy Appointments

## Financial Controller

to £28,000 + Car

This is a high profile Financial Controllership with the UK affiliate of a major US multinational requiring previous top management exposure in a similar environment, well developed management skills and the obvious potential to move to a Finance Director or equivalent position within the International Organisation. The present vacancy has occurred as a result of a similar move.

The International Group is a large, profitable, expanding business with specialist consumer product brand leaders and the UK affiliate represents an important R & D, manufacturing, marketing and distribution entity.

The Financial Controller will manage a staff of 18 organised in 3 teams responsible for production accounting (including standard costing systems), financial accounting and reporting, and a comprehensive financial planning activity. Systems are extensively computerised, deadlines are tight, and high standards of accounting, reporting and financial planning are already maintained.

Applicants should be graduate Chartered Accountants with audit experience in an international firm and at least 5 years subsequent experience of financial planning, analysis and control in an American multinational. The mobility to pursue an international career is required. (The initial location is North Kent). Relocation assistance is available where necessary. Age guideline—33-37.

Please apply in confidence quoting ref L272, to:

Brian H Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB  
Tel: 01-240 7805

**Mason  
& Nurse**  
Selection & Search

### Appointments

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For further  
information call:

Louise Hunter

01-248 4864

Jane Liversidge

01-248 5205

Birley's

## Financial Controller

Age 27-30

c.£25,000 + bonus

This is a unique opportunity to become the first qualified accountant in Birley's, a rapidly expanding exciting young company. The firm is already well known as the leader in the provision of high quality food and sandwiches to the City. Head Office is in the Royal Exchange.

Reporting to a young Managing Director, the new man or woman is to be responsible for the complete financial and administrative function, with emphasis on producing prompt management information and the provision of wise professional advice. Future plans include Head Office computerisation.

This challenge will suit those with

post-qualification experience who are now ready to create their own department and control systems. The ability to communicate financial matters quickly and clearly is essential. Branches are well organised, with modern point of sale systems. Salary is negotiable around £20-25,000 plus bonus. Promotion to the Board depends upon performance and future profitable growth. Expansion is planned to lead to a USM floatation in a few years time.

Please send full career details to R N Orr, stating if in confidence, quoting reference M2821, or telephone for more information or a form.

**Roland Orr  
& Partners**

Management Consultants

12 New Burlington Street, London W1X 1FF Telephone 01-439 6891

**Extel**

## Financial Controller

Systems Support Division  
c.£28-30,000+car+benefits  
Herts/Bucks borders

Through growth and acquisition, the Systems Support Division of Extel is renowned throughout the UK as a leader in high technology support and maintenance.

Operating as a largely autonomous unit of this major public company the services provided extend beyond the parent company to other major IT suppliers.

Following a recent acquisition and subsequent re-structuring, the need has now been identified for an experienced Financial Controller.

Responsibilities will include the setting up of new accounting systems (including purchasing appropriate computer systems), the preparation of budgets and forecasts and playing a major role within the Executive Committee of the division.

Ideally aged around 30, an accountancy qualification (ideally Chartered) is essential. A minimum of 4 years' experience in industry is also required. Of particular importance, however, will be the ability to make a major contribution within this role and

the potential to progress within the group overall.

In addition to an attractive salary, benefits will include car, pension and, after a qualifying period, participation in the group profit share scheme.

Please write with full CV and salary details quoting reference MCS/4001 to Miles Holford  
Executive Selection Division  
Price Waterhouse  
Management Consultants  
No 1 London Bridge  
London SE1 9QL

**Price Waterhouse**



## Systems Development Accountant

Initially East Midlands

c.£20,000

International Seeds Business is a brand new division of ICI which has been created to take advantage of the opportunities offered by advances in biotechnology and genetic engineering research. The business is currently acquiring commercial stakes in established seed companies in key western markets to provide the vehicles for commercial exploitation of the technology in the future.

A high profile role has arisen for a systems development accountant to work on a project basis, assessing systems development needs in newly acquired businesses and managing the implementation of those recommendations. Although reporting to the Planning and Finance Manager at the head office near Haslemere in Surrey, the initial project will be based in a newly acquired UK subsidiary and the appointee will report on an operational basis to the MD. This is a key

role in helping to establish the Seeds Business commercial network. It offers invaluable, broad based operating unit experience in a highly commercial environment and the opportunity to join a major business of the future in its early stages of development.

Applicants should be qualified accountants with several years' experience of computer based systems development, who can demonstrate the intellect, drive and ambition required to succeed in a highly competitive fast growing environment.

Career prospects are excellent—either within the Seeds Business itself or through one of ICI's other major divisions.

Interested applicants should contact Gary Watson quoting ref. N5004 on 0602 410130 at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX.



**Michael Page Partnership**

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide  
Member of Addison Consultancy Group PLC

## Financial Adviser

Family Group with  
International Interests

£25,000 +  
with excellent benefits

Central London

This is an unusual and interesting career opportunity involving the provision of financial advice to a successful family group with substantial capital investments both in the UK and overseas.

The work will be widely varied and will include the investigation of possible investment opportunities, assisting in funding negotiations and performing a co-ordinating role between the family and the companies in which they have invested.

The successful candidate is likely to be a Chartered Accountant aged around 40 with experience of corporate financing and a working knowledge of company and personal taxation. Familiarity with property developments is a prime requirement.

Please send concise details, including current salary and daytime telephone number, quoting reference N2003 to A. Moynan, Executive Selection Division.

**Grant Thornton**

Management Consultants

Fairfax House, Fulwood Place, London WC1V 6DW.

## MANAGEMENT ACCOUNTANT

Newly qualified ACA  
London EC3

to £17,000 + benefits

Chandos Insurance, a subsidiary of Bass PLC, is a successful and expanding Insurance Company in the London Market. Due to recent promotion the Company has a vacancy for a self-motivated and commercially minded accountant.

Responsibilities will include the further development and implementation of management controls over the underwriting system, assisting the Chief Accountant in preparation of reports for presentation to the Board of Directors and monitoring and developing the Financial Accounting system. The ideal candidate will be a graduate chartered accountant. A good working knowledge of computerised accounting systems is essential and some insurance audit experience would be preferable.

This is an excellent opportunity for a recently qualified accountant to make a positive contribution to the future of this successful Company.

Applicants should write in confidence enclosing a C.V. to:

Paul Trueman  
Chief Accountant  
Chandos Insurance Company Limited  
14 Fenchurch Avenue  
LONDON EC3M 5BS  
No Agencies



## T.B.F. THOMPSON GROUP COMPANY ACCOUNTANT

A rapidly expanding group, a wholly-owned subsidiary of Cement Roadstone Holdings plc involved in the construction industry, seeks to appoint a Company Accountant at their Gravesend Offices. Salary circa £20,000.

The position requires a qualified accountant with emphasis on commercial awareness. The main task will be to provide an accounting and administration service to local management, in particular the preparation and interpretation of monthly management accounts for two companies. Involvement will also be required in budgeting and forecasting and controlled costs in line with budgets. A competitive remuneration package, pension scheme and life assurance will be offered to the successful candidate.

Interested candidates should write, enclosing a full curriculum vitae, to:

Mrs. E. Orgett

T. B. F. THOMPSON LIMITED

The White House, Clifton Marina Parade  
Gravesend, Kent DA11 0EA

## Corporate Finance

Scotland

A major organisation in the financial services sector is expanding the scope of its corporate finance activity and is seeking to appoint a head of Corporate Finance in Scotland.

Responsibility will be for developing the corporate finance activity and for establishing a high quality team of professional advisers who will work closely with colleagues throughout the UK.

The requirement is for broadly based corporate finance experience acquired in

merchant banking, development finance or possibly within a large corporation. A legal, accounting or business school qualification is essential.

Remuneration is negotiable and unlikely to be a limiting factor.

Age: 35-45. Location: Glasgow.

Please write in complete confidence to

Peter Craigie as adviser to the organisation.  
Arthur Young, Corporate Resourcing,  
17 Abercromby Place, Edinburgh EH3 6LT.



**Arthur Young Corporate Resourcing**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

## FINANCIAL DIRECTOR DESIGNATE

c. £22,000 + Benefits

Is required by an expanding manufacturer and distributor of laboratory and safety equipment based in South Avon. The successful applicant will be a qualified accountant with suitable commercial experience who will join an existing young management team.

Responsibilities will extend beyond financial control and reporting into a positive management role in the development of this profitable, venture capital financed business.

Written applications with detailed CV's to—

R MacFarlane / M D Brown  
SOLOMON HARRIS & CO  
16 Union Street, Bristol, BS1 2DQ.

## A major career step in Financial Management

J.P. Morgan, commonly acknowledged as an organisation which couples success with the highest professional standards in the field of investment management, has approximately \$10 billion worth of assets currently invested world-wide. We recognise that expert internal financial management will play a vital role in our continuing success, and are now looking for a person who will be primarily responsible for the preparation and analysis of management information in all areas related to profit measurement and control. This will include—

- ★ Financial Management Reports
- ★ Formal Business Planning and Forecasting
- ★ Operating/Capital Expenditure Control
- ★ Account/Product Profitability

You will be at least in your late twenties, computer literate, and will have an accountancy qualification with 3-5 years post-qualification experience gained in a financial environment. Above all, you must be 'business-orientated', with a creative approach, in order to identify our future needs and successfully implement systems necessary for this important area. Regular liaison with our Head Office in New York will be an essential feature of this role.

The starting salary will not disappoint the ambitious career builder, and will be accompanied by generous 'large bank' benefits.

Please reply with a complete c.v. to:

Mary Thom, Personnel Manager,  
J.P. Morgan Investment Management Inc.,  
65 Pall Mall, London SW1Y 5ES.

**J.P. Morgan  
Investment**



# Accountancy Appointments

## PRINCIPAL AUDITOR

A development opportunity for an ambitious qualified accountant

Croydon c.£18.5K + benefits

British Gas South Eastern, a highly successful and progressive business serving over 2 million customers, continues to introduce the very latest technology into all aspects of its activities. The increasing complexity and sophistication of our computer systems mean we now need to add a self-motivated qualified accountant with good communications skills to our HQ-based audit team in central Croydon.

You will undertake major reviews and investigations of a range of the Region's activities, leading a small team. Central to the review process will be the evaluation of controls within both financial and operational

systems, many of which are computerised and available on-line via an extensive terminal network.

Internal Audit is committed to a continuous development programme spanning all aspects of its activities, and you will be an active contributor in interpreting and developing new techniques for audit use, assessing the impact of modern technology on our business operations.

This opportunity should be seen as a development role which could enhance your longer-term career aspirations.

The highly competitive remuneration package includes salary of around £18,500,

car allowance, excellent social amenities, 30 days' holiday and generous relocation assistance if appropriate.

For further information please ring 01-688 4466 and speak to Bernard Mee on ext 4410, or telephone for an application form on 01-680 2981 (24-hour answering service) quoting ref: FA 3080/FT.

An equal opportunity employer

**British Gas**  
South Eastern

## Assistant Controller

c.£20,000 + Car + Bonus  
Newbury - Berks

Norsk Data is the fastest expanding mini computer manufacturer in Europe with sales and profit growth in excess of 40% per annum sustained over the last 13 years. The UK subsidiary has an equally impressive record and now seeks a No. 2 in the Finance and Administration functions to take part in managing the expansion.

The Assistant Controller role requires a positive approach which will influence how the business is run and the achievement of financial targets. The main thrust will be the enhancement of financial planning - particularly short and medium term profit forecasting, managing and forecasting cash flow, optimising the balance sheet, and active involvement in the negotiating stages of major sales contracts.

The Norsk Data management style is unique in allowing a high degree of personal responsibility, self motivation and development. Applicants in addition to being qualified accountants with planning experience should be outward going in nature with the initiative to work in a rapidly changing environment and the capacity to grow with the organisation.

Please reply in confidence quoting ref: L 271 to:

Brian H Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB  
Tel: 01-240 7805

**Mason & Nurse**  
Selection & Search

## New Year Resolutions? Start 1987 with a new challenge in the City!

We are currently recruiting high-calibre young Chartered Accountants for three rapid growth areas within International Banking. As well as immediate challenge, these positions all offer first class future prospects with prime institutions.

### SWAPS ACCOUNTING

This outstanding opportunity follows the recent creation of a swaps unit by one of the world's leading investment banks. The position forms an integral part of a highly professional team responsible for all the bank's currency and interest rate swaps transactions. The main thrust of the role will be on assessment of swaps profitability and development of accounting systems to keep pace with new products. The successful candidate will be a recently qualified 'Big 8' Accountant with a first class academic record and the personality to succeed in a fast-moving environment.

### PROJECT ACCOUNTING

This position represents a highly challenging role within the central finance division of a front-running merchant banking group. Working closely with the Finance Director on all aspects of international business, the primary focus is on ad hoc special projects. The successful candidate will be a newly or recently qualified ACA of exceptional ability and by definition a 'high-flyer'. Future prospects with this fine chip organisation are excellent, either within financial control or a product area of merchant banking.

### TREASURY CONTROL

This major British banking group has a modern and aggressive Treasury Division - the emphasis is on new product trading and sales in areas such as futures, options and swaps. Essentially a 'controlling' role of a major business area, the current appointment demands both finely tuned communication skills and the ability to contribute to far-reaching systems development projects and new product policies. Career prospects are excellent for the ambitious Accountant with two years' bank or bank audit experience in this progressive organisation. Salary is negotiable to £23,000.

Please apply directly to Felicity Hother on 01-606-1706

Anderson, Squires Ltd.,  
Bank Recruitment Specialists,  
127 Cheapside, London EC2V 6BU

**Anderson, Squires**

## Young Qualified Accountant A key role in Financial Operations

You are a recently qualified accountant (ideally ACA) looking for a company which will reflect your ambition, drive and enthusiasm, and offer you the opportunity to develop your experience and broaden your career horizons. We are CNA RE, the London subsidiary of a major US Insurance Group. Established for 10 years in the UK we have become one of the leading reinsurance companies in the London market, recently doubling operating capital to £40m.

You will have a positive, lively approach towards your work, which will include financial operations such as statutory reporting, quarterly internal reports, investment analysis and financial reviews of reinsurers. The position

involves contact with management at the highest level, with the opportunity to develop your career with this go-ahead company.

In addition to your excellent salary and career prospects, CNA RE offers a generous benefits package which includes a non-contributory pension scheme, mortgage assistance, private health insurance and a savings scheme.

If you want to put your career on the map with this exciting company, please telephone or forward a c.v. to Mrs. Virginia Monro, Personnel Manager, CNA RE Insurance of London Limited, Fountain House, 125/135 Fenchurch Street, London EC3M 5DL. Tel No: 01-628 8321.

c.£19,000  
+ Major  
Benefits  
City

**CNA RE**

CNA REINSURANCE  
OF LONDON LIMITED

## Financial Director and Company Secretary

up to £30K + car

Rural Midlands - Process Industry

Part of an International Group, this metal processing company is currently enjoying a healthy growth in turnover and profits. As a result of a recent reorganisation, there now exists a vacancy for a Financial Director and Company Secretary. Reporting to the Managing Director, you will be an innovative financial manager of graduate calibre who is able to assume full responsibility for the accounting, computing and company secretarial functions, with the potential for general management in the longer term.

Aged 35 to 50, you are a qualified accountant, preferably ACMA or ACA, with at least 5 years' experience in financial management in a manufacturing process industry. You are thoroughly versed in the preparation and interpretation of financial and management accounts, together with

detailed experience of costing, cash and credit control, systems development and the use of computers. Your planning and analytical skills will ensure an ability to advise on trends and best business strategies. In addition to being highly commercially oriented, you have a proven track record of success in financial control and innovation.

Along with excellent career opportunities, you will benefit from a highly attractive compensation package including profit share, car, pension scheme, medical insurance, and where appropriate, relocation assistance to the company's attractive rural Midlands base.

Please write or telephone for an application form or send a detailed CV to: D.J. Dewhurst, at the address below quoting ref: FRM/1216/FT.

**PA**

**PA Personnel Services**

Executive Search - Selection - Psychometrics - Remuneration & Personnel Consultancy

6 Highfield Road, Edgbaston, Birmingham B15 3DJ  
Tel: 021-454 5791

## Challenging Overseas Opportunity

An exciting overseas challenge is now available for a top calibre Chartered Accountant with at least five years post-qualification track-record of real achievement.

With previous client involvement in the oil and gas sector in public practice, or relevant experience gained in industry, you will be capable of operating at a principal level and of demonstrating high professional, administrative and interpersonal skills.

Previous overseas experience would be an advantage. Based on our firm in Lagos, Nigeria, you will be rewarded with high job satisfaction and an attractive remuneration package appropriate to your role. Longer term career opportunities within AY internationally are first-class.

In the first instance please send your CV to:

Roy Lecky-Thompson, Director of Personnel,  
Arthur Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH.  
Telephone: 01-631 7130.



**Arthur Young**

## PARTNERSHIP SECRETARY

Croydon

To £20,000 + car

A Partnership Secretary is required to strengthen the management team of a firm of consulting engineers which has enjoyed continuous growth since it was founded in 1968. The partners' emphasis on high quality work has enabled the practice to build up an impressive list of prestige clients in both the public and private sectors.

The successful candidate will take responsibility for all aspects of the finance, secretarial and administrative functions with a particular emphasis on improving management information and developing the use of computers and other forms of office automation.

Applicants, aged between 30-45, must be computer literate and should have a small firm, service industry background. Previous experience in a professional partnership would be an advantage. Whilst there is a strong preference for a qualified accountant or Chartered Secretary, this need not exclude other candidates with exceptionally relevant experience and personal qualities.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2734/FT to G. J. Perkins, Executive Selection Division.

**Touche Ross**

The Business Partners

Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011

## STEPPING STONE

Cambridgeshire

£Negotiable + Car + Relocation

As an ambitious graduate ACA, who qualified with a top professional firm, you are seeking a career path within an expanding public company. In return for genuine career prospects, you must have gained experience of manufacturing industry either within the profession or with a commercial company.

You will undertake operational and some financial audits, carrying out management reviews including introducing real-time computer systems. The emphasis will be on a practical problem solving approach offering considerable scope for initiative in achieving the objectives set by Senior Management. Particular attributes required will be objectivity, maturity and clear concise communication, both verbally and in writing.

The Company is a diverse manufacturing group whose continuing development through a planned programme of acquisition and organic growth provides regular opportunities for promotion into line roles. The salary package will reflect the importance of the role and is entirely dependent upon your ability and experience. For more information contact Andrew Cook, Regional Manager or send a full c.v. with covering letter.

Telephone: (0727) 35116 (out of hours (0442) 67681)



**Management Personnel**

Recruitment Selection & Search  
105 St Peter's Street, ST ALBANS, Herts AL1 3HH.

## FINANCE DIRECTOR SHEFFIELD

NEEPSSEND plc wishes to appoint a qualified Accountant as Group Finance Director to immediately succeed the present Finance Director who is relinquishing executive duties. The post will also include the role of Company Secretary.

The Neepsend group consists of eight autonomous subsidiaries in the Sheffield/North Derbyshire area and three companies in Canada. The combined turnover is £20m the main activities being engineering, tool production and metal processing.

Following a period of retrenchment the Group is planning to grow both organically and by acquisition and a challenging future is envisaged.

Ideal candidates will be commercially orientated and experienced in corporate fund raising, city liaison, acquisition negotiations, etc., as well as internal financial control in manufacturing industry, data processing and secretarial practice. Persons under 35 are unlikely to have had the necessary experience.

An attractive remuneration package and relocation expenses will be offered.

Please apply with curriculum vitae to:

The Chairman  
NEEPSSEND plc  
Lancaster Street, Sheffield S3 8AQ

# Accountancy Appointments

## Finance and administration manager

Board prospects  
Oxfordshire, c£25,000 + car



This autonomously managed subsidiary of an international group has significantly improved turnover in the last year to £10 million, creating an opportunity for an able financial controller. Its activities encompass the design, project management and sale of specialist engineering equipment and test facilities primarily for the automotive industry.

A vital member of the senior executive team and managing a department of 18, you will report to the MD and take responsibility for all financial and management reporting, and general administration. The emphasis will be on planning, the improvement of computer-based management information systems to cope with expansion and significant input to commercial policy.

Qualified and in your 30s, you must be a strong management accountant with the energy and personal skills necessary to contribute directly to profitable growth. Please write, enclosing your curriculum vitae and daytime telephone number to Stephen Blaney, Ref B333.

Coopers & Lybrand  
Executive Selection

Coopers & Lybrand  
Executive Selection  
Limited  
Albion Court  
5 Albion Place  
Leeds LS1 6JP

## Personal Investment Banking

A leading clearing bank is expanding its personal investment banking group, the major elements of which are retail stockbroking, unit trust operations and related investment products. The holders of the two positions described below will play key roles in the further development of this expanding business.

### Management Accountant

c. £35,000 + car & normal banking benefits

Reporting to the group's Financial Controller, responsibilities will include the development and preparation of the group's management information to enhance profitability.

Candidates, aged around 35, will be qualified accountants, ACMA or ACA, with experience of either the I.M.C.G. or service sectors.

It is planned that the group will grow rapidly in the next few years. Candidates must have the intellect, personality and technical ability both to manage and develop with this growth.

Please reply to Martin Manning, in strict confidence, enclosing full personal and career details, quoting reference 1693/FT for the Management Accounting role, and 1694/FT for the Financial Accounting role, on both envelope and letter.

### Financial Accountant

£28 - 30,000 + car & normal banking benefits

Reporting to the group's Financial Controller, the role will initially involve the design and implementation of the group's financial accounting systems, and their subsequent management and operation.

Candidates, aged around 30, will be accountants, ACA or ACCA, with several years' post qualifying experience, preferably in the service sector.

**Deloitte  
Haskins + Sells**

Management Consultancy Division  
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

## Group Management Accountant

Hampshire Salary not less than £25,000

This major service organisation, with revenue in excess of £200m, has expanded dramatically through the aggressive marketing of new business areas and the use of innovative technology.

Reporting to the Group Finance Director, you will be responsible for ensuring tight financial control, through the provision of detailed management information, review of business plans, preparation of revenue and capital budgets, and special assignments. Investigating new policies and procedures in a complex and highly computerised environment, you will have substantial contact with the senior management of the operational subsidiaries and direct management responsibility for a staff in excess of 20.

This is a demanding, high-profile role for an ambitious and forceful qualified accountant, ideally aged 35-45, who has gained a comprehensive group management accounting experience in a progressive and diverse business environment. Candidates must be able to demonstrate a high degree of commercial awareness and excellent management and communication skills.

There exists ample opportunity for career development within this organisation. The remuneration package will reflect the importance of the position to the organisation and will, of course, include a car and other executive benefits.

To apply, please send cv, indicating current salary, in confidence to Fiona McMillan, Ref: 1190/FM/FT.

**PA**

PA Personnel Services

Executive Search • Selection • Psychometrics • Remuneration & Personal Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE  
Tel: 01-235 0000 Telex: 27874

## Financial Controller

A positive business role

International Banking  
City base  
c£43,000 + car + banking benefits

Our client is the London based subsidiary of an established and enterprising European bank, now poised to increase its UK commercial and treasury business.

As part of the key management team, the successful candidate will be responsible to the General Manager for the co-ordination of all management, group and statutory reporting, all aspects of business administration and overall EDP systems management, to facilitate

improved financial analysis of the bank's products and profitability. He or she will also have responsibility for financial planning and will take active part in the formulation of business strategy.

Ideally, candidates will be chartered accountants in their early 30's, with 4-5 years' experience in the small to medium sized banking sector. The role calls for professionalism, credibility and independence, balanced with a willingness to play a "hands-on" role

If necessary,

A generous remuneration package has been designed to attract the right candidate.

Please apply enclosing a full CV in confidence quoting ref. MCS/3014 to: Tracey Phillips  
Executive Selection Division  
Price Waterhouse  
Management Consultants  
No 1 London Bridge  
London SE1 9QL

Price Waterhouse

## Internal Auditor

£19,000 + Benefits  
C. London

Our client, a leading international bank, requires an Internal Auditor. The position represents a positive career step for a person wishing to enter the progressive and highly rewarding area of international banking.

The successful applicant will need to be a self motivated professional with ability to deal with all levels of Management and must be capable of making a positive contribution to the continuing development of the administrative systems. Some EDP experience would be preferred.

Reporting to the overseas based Head Office, the successful candidate will be responsible for implementing a programme of internal audit projects.

For a recently qualified chartered accountant, or an experienced internal auditor, this represents an outstanding opportunity to assume greater levels of autonomy and responsibility.

Applications giving full personal and career details should be submitted quoting reference SHA. 849 to David Marks ACA, at Stoy Hayward Associates, Management Consultants, Executive Recruitment Division, 8 Baker Street, London, W1M 1DA.



**Stoy Hayward Associates**  
MANAGEMENT CONSULTANTS

A member of Horwath & Horwath International

## Director of Finance

c.£40,000 plus profit share  
Bucks

Our client is no ordinary company. Unknown today it plans to be a household name by the end of the year and the market leader with a multi-million pound turnover. In a few years time there will be a European dimension.

You will not just be in charge of the finance function. To do this job you must have in-depth experience of handling company flotations, acquisitions and raising finance. You will need to have first-class contacts with all the right people in the City.

To be successful with this company you will have to work hard and long hours and be totally flexible. The rewards will be exceptional and will include profit share, car and in due course, share options.

Interested? Then please write immediately, in confidence, enclosing CV and stating how you meet the requirements, to David Bannell, ref. B. 43853.

MSL International, 82 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

**MSL International**  
Executive Search and Selection

## GROUP CHIEF ACCOUNTANT

International Investment Group  
£18,000 + Car

OUR CLIENT is an International Investment Group with companies in most of the world's major financial centres. For its new UK service company we are seeking a Group Chief Accountant who will be responsible for the running of the small Central London office.

THE ROLE includes responsibility for the accounts of the holding company and some of the overseas subsidiary companies. The companies are involved in international trade and investment and dealing in securities and currencies. Additionally the successful candidate will be responsible for all administrative matters of the London office including computerisation and liaison with overseas companies.

THE REQUIREMENT is for a qualified accountant. Experience of investment and multi-currency accounting would be an advantage but not a prerequisite.

THE REMUNERATION PACKAGE will include a salary of about £18,000 plus a car.

Please reply in complete confidence and enclosing a comprehensive CV to the Managing Director

**Tanstead Associates Ltd**  
Executive Search & Selection  
West End House, 11 Hills Place, London W1R 1AG

a member of the Tanstead Professional Group

Venture capital organisation seeks enthusiastic accountant as

## OPERATIONS MANAGER

Cardiff

Up to £20,000

The Welsh Development Agency's Investment Division provides equity and loan capital to developing concerns, primarily providing start-up and early stage expansion capital. Its current portfolio is valued at around £30 million and comprises about 300 companies.

Reporting to the Executive Director of Investment, the Operations Manager will be responsible for monitoring the investment portfolio; developing reporting systems and producing timely, accurate and relevant management information; preparing budgets and corporate plans; and carrying out a wide range of special projects.

Candidates should be qualified accountants, aged 30-45, who combine a knowledge of management accounting with exposure to computerised systems. Investigations or insolvency experience would also be of assistance in the monitoring aspects of this role.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2738 to G.I. Perkins, Executive Selection Division.

**Touche Ross**  
The Business Partners

Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

## Financial Controller

High growth food manufacturing and distribution company  
N. Home Counties • Board Prospects • c. £25,000 + Car

Two years from now, my client is likely to be double its current size and operating from several locations in the U.K. and possibly also Europe.

One of the critical elements necessary to ensure that this very real opportunity is achieved, is to strengthen the management team by the appointment of a high calibre young finance professional who can mature quickly into a full board role. The company has a current turnover in excess of £10m.

The Finance Department is currently quite small and operating under the significant pressures of explosive growth and an accelerated programme of computerisation. As a result it is not currently able to be as effectively constructive with the other line departments as is desirable and necessary. Your immediate objectives will be to establish positive leadership of the Finance function and to provide a comprehensive financial advisory service to the senior management team of which you will be an important member. Your role is then likely to be expanded to include other administrative and line functions in the company.

The post should be attractive to qualified accountants in their early 30's whose career ambitions lie in the small/medium sized environment. Essential elements of experience must include both financial and manufacturing management accounting, management of a small team and development of computer systems. Familiarity with foreign exchange accounting is highly advantageous. An ability to work effectively as part of a small, well knit management team is, of course, vital.

Employment conditions include a very competitive fringe benefit package. Applicants of either sex should apply in confidence to Michael Johnson on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX, quoting ref. 725.



**Johnson Wilson & Partners**  
Management Recruitment Consultants

FAST GROWING MEDIUM-SIZED PUBLIC GROUP  
ENGAGED IN INDUSTRIAL SERVICES REQUIRES

PROFESSIONAL ACCOUNTANT TO JOIN

## ACQUISITION TEAM

Based North Midlands

c. £25K  
+ quality car  
+ benefits

FUNCTION: To work with main board directors in identifying, acquiring, rationalising and stimulating target companies.

DESIRABLE QUALITIES: An entrepreneurial chartered accountant who draws from a breadth of accounting and company experience, investigates thoroughly, communicates succinctly, handles people sensitively, challenges boldly, thinks radically. One who is well as opportunities and will not be found lacking in initiative.

CANDIDATE: Will be aged 28-35 and, currently, may well be a senior manager with a large firm of Chartered Accountants who has investigation and acquisition experience.

AN EXCEPTIONAL CAREER OPPORTUNITY!

Full career and personal details to:  
Andrew Evans, Finance Director  
SCOTT GREENHAM GROUP PLC  
Cotton Park Industrial Estate  
Altherton, Derby DE65 4Q6





# Finance and Administration Manager

**OUR LINE OF BUSINESS IS IMPROVING YOURS**

# Accountancy Appointments

## Accounting for all tastes

Ours is a dynamic enterprise. One of the fastest developing businesses in the retailing industry—itsself, the fastest growing business sector in the economy—Tesco is a diverse and complex operation in financial terms.

With a £3.3 billion turnover generating profits of over £122 million, our professionals in Financial Management have helped to achieve what Analysts readily recognise as one of the top P/E ratios in the industry.

Combining financial expertise and accounting skills with an overall appreciation of our operations, their involvement ranges from corporate investment policy to powerful new Treasury systems. In financial services, they are advancing initiatives in EFTS (Electronic Funds Transfer System),

ATM (Automatic Teller Machines) and MIS.

Spearheading developments in other key areas are professionals in Research, Buying, Marketing, Merchandising, Property, Distribution, Computing, Personnel, Technology and Store Management.

Together they represent the specialist skills which make Tesco retailing one of the most sophisticated and advanced operations of its kind.

This is what we mean by business, and why we are an ideal environment for professional talent. Look out for specific appointments in the press.

**TESCO**

Tesco means Business



## FINANCIAL DIRECTOR

Southend Airport, Essex

Up to £20,000 + car + benefits including substantial travel advantages

We are the Engineering and Maintenance Division of a dynamic, fast growing and profitable charter and commuter airline based at Southend Airport. Group turnover in the last 4 years has grown from £5m to £26m and is expected to be in the region of £35m for the current financial year.

As part of a small but highly professional management team, the Financial Director will be required to appraise operational activity, direct strategy and implement new and cost effective systems within the Engineering Division. This Division services both in-house and third party customers and has a turnover approaching £5m per annum.

The successful candidate will be a qualified Accountant aged up to 30 years with at least 2 years' experience in industry/commerce. We require an assertive, positive and energetic individual who has the ability to very quickly make a contribution in the general management side of our Engineering operation.

An attractive remunerative package is offered with opportunities for travel through the Group's interline facilities.

Interested applicants should write to the Managing Director, Box A0371, Financial Times, 10 Cannon Street, London, EC4P 4BY.

## Finance Director Designate

West of London

circa £20,000 + Car

This dynamic, private computer services group operates very profitably through branches in the United Kingdom and on the Continent.

Realistic plans are for the multi million pound turnover to continue its dramatic yet soundly based growth, and the current requirement for appropriate financial management skills is a direct result of expansion. Suitable applicants will be mature and committed, qualified accountants over 30, not only with previous experience of financial management but with a practical approach to the routine accountancy functions.

Also essential is the commercial flair and

acumen to make a positive contribution to management decisions. The groups International and diversification ambitions will enable the person appointed to exercise the widest range of professional and entrepreneurial skills and career prospects are quite outstanding.

Interested applicants should send full career and personal details to:  
John Overton FCA, Managing Director,  
Overton Management Selection,  
3 Berkeley Square,  
London W1X 5HG.

or telephone 01-408 1401 for an application form quoting reference 10/1139/FT.

**OVERTON**  
MANAGEMENT SELECTION

APPLICATIONS ARE WELCOMED  
FROM MEN AND WOMEN

## Finance Director

Start-up company

Slough

c.£40,000 + car

Our client is starting an exciting venture which will deliver a service across the UK from a head office in Slough. The use of high technology should give a uniquely competitive edge in the chosen market. There is a turnover target of £125m in the first year and finance is available to fund a very rapid expansion.

We seek a qualified accountant to head and build up the finance function, and to represent finance and administration on the Management Committee.

Candidates should be under 40 with 5-10 years' experience in industry or commerce, recent

experience of negotiation with financial institutions, and a successful record of managing professional and clerical staff in the widest possible range of financial functions, eg final accounts, treasury operations, acquisitions and mergers, and computerised processing of management and financial data. Someone who can sustain a high profile in what will become a major company is required.

Appropriate rewards will be available. The job could also acquire later a European dimension. Please send your cv immediately, in confidence, to Humphrey Sturt, Ref: 1221/BS/FT.

**PA**

PA Personnel Services

Executive Search - Selection - Psychometrics - Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.  
Tel: 01-235 6060 Telex: 27874

## Financial Controller

Small Company Background

Surrey Based c.£23,000 + Car

Qualified Professionals, identifying with the small company environment will find this new opportunity both challenging and rewarding.

A dynamic, fast moving business with a high calibre workforce, my clients factor and distribute high value products to markets in the Soviet Union and Eastern Europe.

As a practical Accountant and with the minimum of support, you will be responsible, as a member of the Management Team, for Cash and Asset Management, producing all Financial and Management Accounts as well as consolidating accounts of subsidiary companies and Company Secretarial duties. In addition, you will advise on the matter of external investment, and corporate structures to attract the same.

Aged 30-40 and living within reasonable daily travel, applicants should have the confidence and authority to represent the company at City Institutions and be familiar with Accounts Preparation and Company Secretarial duties in a multi-currency business utilising a computerised accounting system.

Please write with full curriculum vitae to include relevant company financial information and current remuneration to:  
Robert Little, PER Management Selection, 12a Commercial Way, Woking, Surrey GU21 1HG.

**PER** Management Selection

## ACTIVE PARTICIPATION IN CHANGE

Recently Qualified ACA

Central London with International Travel

You are not a career auditor but an agent of change. This is your opportunity to establish high level contacts within a progressive organisation which is a regenerated U.K. world leader in high technology applications. Your challenge will be to participate in revitalising every aspect of its business by adopting the principle that business goals are the primary objective. You will be offered a broad range of work in the U.K. and overseas, combining financial auditing with critical assessment of activities. As part of its revitalisation plan you would be required to leave the audit function taking your in-depth knowledge of this unique business and its management into a line position.

If you wish to be considered for this role within a singular environment please telephone, or write enclosing a c.v. to Richard Small quoting reference CG178.

Telephone 01-256 5041 (Out of hours (023085) 288)



**Management Personnel**

10 Finsbury Square, LONDON EC2A 1AD.

## Group HQ Accountant

Central London

to around £15,000

Our client is an "Alpha stock" British group with an outstanding record of organic and acquisitive growth, an international spread of operations and consistently high return on capital.

The pace of growth creates the need for an additional accountant to strengthen the HQ finance function. Initially the emphasis will be on treasury and cash management, leading on to consolidation, group accounting and management reporting - a first class opportunity to gain experience in all aspects of financial management in a major plc.

Candidates, male or female, age mid-20s to early 30s, probably qualified accountants, could come from the profession, industry, commerce or financial services. With a real interest and some experience in micro-computer applications, they should ideally also be familiar with either the treasury function or public group accounts preparation.

Initial salary negotiable to around £15,000 plus BUPA and other benefits. Please send career details, in confidence, to D. A. Ravenscroft.

**Ravenscroft & Partners**

Search and Selection  
20 Albert Square, Manchester M2 5PE

## IMMEDIATE PARTNER VACANCY

A substantial Sussex Coast firm of CHARTERED ACCOUNTANTS has an unexpected vacancy for a PARTNER.

The successful applicant will be under 40 and will have trained and/or had post-qualification experience in a medium-sized provincial practice. A good corporate tax background would be an advantage but the prime requirement is the ability and personality to handle successfully a broad portfolio of audit, tax and general practice clients and to participate fully in the continuing development of the firm.

No capital injection is required. A substantial salary will be paid for a brief introductory period, to be followed by admission to partnership.

A fully detailed curriculum vitae to be sent to:  
The Senior Partner, Box A0370  
Financial Times, 10 Cannon Street  
London EC4P 4BY

Confidentiality will be strictly observed.

## FINANCIAL CONTROLLER

W. London

£22,000 + Car

This major international group specialising in the Retail Sector wishes to appoint an ambitious, young qualified accountant for this key management role.

Reporting to the Finance Director you will assume responsibility for the day to day control of the finance department encompassing all aspects of financial management, special reports for presentation to the board, plus the supervision and control of about forty staff. An additional responsibility over the next two years will be to introduce a new computer system.

The successful applicant is likely to be under thirty with a proven record of achievement since qualifying and who can demonstrate real management skills.

If you are interested in this position please send a detailed curriculum vitae to Richard Green quoting reference number 3353.

**Dunlop & Badenoch**

Financial Recruitment 60 Mark Lane, London EC3R 7NE. Tel: 01-265 0377

## FINANCIAL DIRECTOR

The prime responsibility of this newly created position is to take complete financial control of a Bureau Billing Service. Based in N.W. London, the duties will include credit control and responsibility for a number of subsidiaries in the Group. A knowledge of computer systems is desirable.

The successful applicant will ideally be a qualified accountant, preferably ACCA or AICPA and be aged between 30-45. The package will initially be worth £20,000 p.a. to include a company car and membership of BUPA. Interviews will be carried out in London.

Applications in the first instance in writing, enclosing a current CV to: David Lunt, Group Financial Controller

Vallis House, Vallis Road,  
Frome, Somerset BA11 3EG



# Accountancy Appointments

## Creative Financial Management!

### Financial Manager

North London



The UK is about to experience a unique concept in retailing. An incredibly successful formula which has seen our Swedish based Company grow so dramatically that we now employ over 11,000 people, in 75 stores and 18 countries, and have a turnover in excess of one billion pounds.

But IKEA is more than just a fast-growing furnishing and interior decor chain. It is a lifestyle; a mentality; a fresh new living environment.

Design, product, display and sales techniques are all vital parts of our original approach, but the way we work is the true catalyst which creates the IKEA experience.

We need special people to make our concept work. People with flexible minds, creative outlooks and the energy to respond to a truly dynamic Company. The kind of person who will make the most of our huge resources, career opportunities, and the freedom of action to be a success.

One such individual will be our Financial Manager who, working as part of a small senior management team, will take responsibility for financial control, accounting, preparing final accounts and administration within the UK Company, together with budgeting, financial planning, forecasting, policy development and liaison with Sweden.

We envisage a fair amount of international travel so you must have a stable home life which allows you to spend periods away. You will be young, educated to degree standard supported by a professional accounting qualification, and you will demonstrate a creative, professional approach to Financial Management. We want you to contribute to our success not just audit it.

You will have at least 4 years post qualification experience which may have been gained in a large accounting practice or in-company. A retail background could be useful. Based in Brent, North London, rewards are excellent including a substantial salary together with a range of executive benefits and a Company car.

If you have the commercial flair to take on real Financial Management write with full C.V. and salary requirements to:

Angela Wilson IKEA Universal House  
Weston Road Slough Berks. Telephone: 0753 76061

## Finance director

London, c£35,000



This rapidly growing Development company is operating successfully in one of London's most exciting property areas with tremendous potential for the future.

It now needs a Finance Director to provide close support to the Chief Executive in every aspect of the business. This is a demanding job which will cover every aspect of the company's finances from top level negotiations with sources of finance to hands on work involving computer systems in a tightly run environment.

Candidates, qualified accountants with extensive experience at all levels in commerce and industry, preferably including property development, will want to join a dynamic, exceptionally hard-working and very entrepreneurial company.

Salary is negotiable and the benefits package is very attractive, with a substantial incentive element.

Resumes including a daytime telephone number to John Sanderson Wells, Ref. SW612.

Coopers  
& Lybrand  
Executive  
Selection

Coopers & Lybrand  
Executive Selection Limited

Shelley House 3 Noble Street  
London EC2V 7DQ  
01-606 1975

## Hays

### HEAD OF MANAGEMENT ACCOUNTS

Guildford

c.£21,000 + Car

Our client, the Hays Group, is a progressive, acquisitive group of companies with a wide range of interests covered by seven operating divisions. A world wide turn over in excess of £800 million is monitored by a small, highly qualified Head Office team based in modern offices in Guildford.

The installation of high technology systems allied with a requirement for increasingly sophisticated management reporting has identified the need for additional expertise to strengthen the existing team.

Reporting to the Group Financial Controller the primary function of this position will be overseeing the computerised consolidation of the group's management information packages, including budgets, forecasts and periodic accounts. Additional responsibilities will include further development of Head Office controls fully utilising such aids as computer graphics.

You will be a young (27-35) qualified Accountant with a large company background (preferably in a Head Office function), and will have had exposure to PC accounting packages, financial modelling and computerised consolidations. This position provides an immediate, substantial career advancement, and the medium to long term prospects within the Hays Group offer limitless opportunities.

Please reply in the strictest confidence either in writing (enclosing a comprehensive C.V.) or by telephoning the Manager at the address below.



## Accountancy Personnel

Placing Accountants First

72/74 High Street, Guildford, GU1 3HE  
Telephone: 0483 64692



Measurement Technology  
Limited

### Group Financial Controller

Bedfordshire c£23,000 + car

The MTL Instruments Group Ltd is market leader in the design, manufacture and sale of intrinsically safe instrumentation for industrial process control in hazardous areas. This expanding market has seen the worldwide turnover of Measurement Technology Limited and MTL, incorporated (USA) approach £5 million since 1971 when the UK company was founded.

Privately owned and looking to the US, the Group now seeks an experienced chartered accountant with Board potential to provide a full financial management service and represent the company to the City.

Reporting to the MD, you will take full responsibility for the UK company accounts function and for developing its computerised forecasting, reporting and cost control activities. You will also provide financial planning for the Group and deal with all statutory and legal matters.

Ideally aged 33-45, computer literate and probably with a degree, you will be positive, enthusiastic and convergent. Experience in accounting, finance and people management in an engineering/manufacturing environment are essential.

Your salary will be supported by an extensive benefits package which will include relocation costs, where appropriate.

To express your interest, please write with career details to:

Tony Elliott, Personnel Manager,

Measurement Technology Limited,

Power Court, Luton, Beds. LU1 3JL.

Telephone: Luton (0582) 23633.

## FINANCIAL CONTROLLER

CITY OF LONDON

Age: 30-35

Up to £40,000 + bonus + car

Our client, an international securities house requires an outstanding, ambitious Financial Controller.

Reporting to the Financial Director, the key responsibilities will be for all areas of financial control at divisional level, including:

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Candidates should be Chartered Accountants and must have experience of group accounts and of a multi function securities and finance operation.

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The Business Partners

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Jewson Ltd operate a 180 strong national chain of Timber and Builder's Merchants which is growing rapidly. The Commercial Director seeks a fully qualified accountant to assist him at the Company head office near Norwich, in drawing up business plans for the Company, appraising potential acquisitions and overseeing the introduction of Jewson systems in acquired or greenfield development branches.

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The successful applicant will be thoroughly business orientated and will show a career to date which is evidence of this. The post offers exceptional career prospects together with an involvement in helping to further develop a multi million pound company.

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Interested candidates should contact Robin Rodham on 01-541 5580 or write enclosing curriculum vitae quoting ref: 1293 to the address below.

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The requirement is for a commercially aware, qualified accountant with a manufacturing background, capable of producing and interpreting information to a tight time schedule. Aged 30-40, candidates should be technically strong and have cost accounting and DP experience. A broad business background is desirable and total commitment essential.

If the opportunity to make an important contribution to the manufacturing operation of a successful group appeals, please send full career details to:

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Prestige UK PLC,  
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THE TASK is to head up and to develop the effectiveness of the finance function in the Group covering financial, management and statutory accounting, treasury company secretarial work, some administration and to develop systems of internal and financial control. The environment is busy and immediate. Of particular importance is the input of financial expertise to the planned growth and diversification of the business.

THE REMUNERATION PACKAGE of c£20K plus car is flexible. A directorship is envisaged in the medium term. The Board see this new pivotal appointment as a major career commitment as a leading member of an established management team.

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A new position combining analytical and technical accounting skills, offering opportunity for career progression

**ALPS**

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**£22,500-£27,500 +**

**GENEROUS BENEFITS PACKAGE**

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On behalf of our clients, we invite applications from Accountants (ACA, ACMA, ACCA), aged 28-32, with 3 years' post-qualification experience in an international bank or on banking audits within a major professional accounting firm. The successful applicant, leading a small and experienced team, will be responsible for statutory accounts, budgeting (using a microcomputer model) and technical assignments for senior management, risk monitoring and reporting, tax efficiency assessments, foreign exchange position and asset projections etc. The essential ingredients of this appointment are the ability to work effectively and accurately under pressure, and retain an objective commitment to meeting deadlines, with the potential, as the next step, to take on wider responsibilities in an environment which recognises and rewards personal effort. Initial salary negotiable £22,500-£27,500 + generous banking benefits, including non-contributory pension, mortgage subsidy, free medical and life assurance. Applications in strict confidence, under reference MFA 126/FT, to the Managing Director: A.L.P.S.

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### Financial Accountant c.£18K

If you are a recently qualified accountant either from the profession or industry/commerce, we can offer you an excellent career move.

As PPM's Financial Accountant, you will be responsible for providing a full financial accounting service in respect of the PPM Group and subsidiaries, ranging from consolidated accounts for the Group, statutory accounts, computerised and manual ledger systems and corporate tax affairs. You will also gain considerable experience in operating and developing our new enhanced computerised accounting system. Career prospects in our expanding business are excellent.

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When a new financial product, service or company is being created, or internal reorganisation is being considered, the Special Projects Team advises on financial and related implications. These assignments, plus a wide variety of ad-hoc projects in accounting, financial and administrative areas, involve working in multi-disciplinary teams with exposure to many operational aspects of PPM such as marketing, legal, computer systems, taxation and other key areas. This is excellent commercial experience for an ambitious recently qualified accountant looking for investigative challenges beyond the basic accounting functions. Few positions offer a better chance to gain a broad overview of the business environment in the financial services sector. The successful candidate will have first-class communication skills in addition to commercial awareness and a professional disciplined approach.

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If you'd like us to consider investing in your talent, please write with full cv and in strict confidence to:  
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This is an excellent opportunity to join a dynamic organisation at an exciting stage of growth. In addition to a salary of up to £35,000 + car, the company offers a comprehensive benefits package which includes pension, private health and executive share option scheme.

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**COMMERCIAL GENERAL MANAGER (DIRECTOR DESIGNATE) Ref 4182**  
To formulate and action the company's Commercial, Business, Planning and Marketing policy. He/she will be a member of the Board and report to the Chief Executive. Ideal candidates will have had experience in a company offering professional services, combined with technical credibility from an engineering or science based background.

The ideal age range is 35-45. The remuneration package will include car, pension scheme and health cover, as well as assistance with relocation where appropriate.

Please write with full career details, quoting the relevant reference to A.G.N. Burden.

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## Hoggett Bowers

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Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to:  
K.A. Carroll, Hoggett Bowers plc, Abbott House, 1/2 Hanover Street,  
LONDON, W1R 9WB. 01-495 2766. Quoting Ref: 750.

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We seek an accountant in his mid to late twenties with the experience to produce computer-based management accounts, preferably gained in the finance sector. We plan further strong growth and with our combination of multi-currency, investment and life assurance accounting will present a demanding challenge. Remuneration will be attractive, benefiting from the island's low tax rate.

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# SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Thursday January 8 1987

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## Sun Life abandons plan to restructure

By Nick Barker in London

SUN LIFE, the life assurance group, was forced to scrap plans for corporate restructuring yesterday when its biggest shareholder voted them down.

The rebellion came from Transatlantic Insurance Holdings, a UK-based financial services outfit of Liberty Life, South Africa's third-biggest life insurer.

At a special shareholders' meeting, Transatlantic used its 25.7 per cent stake in Sun Life to veto a scheme for reorganising the group around Sun Life Corporation, a holding company created last year.

Sun Life proposed its reorganisation on December 9, to ease the group's diversification into financial services beyond its core life assurance business.

This was because the holding company would not be subject to statutory controls which limit insurance companies to insurance-related operations. Several major insurers, led by the Prudential in 1974, have adopted structures resembling Sun Life's scheme.

It needs, however, the backing of the least 75 per cent of votes cast at yesterday's meeting.

Mr Mike Middlemas, Transatlantic's managing director, accepted his new structure in principle, but urged Sun Life to undo haste, inadequate safeguards for shareholders' rights and a failure to communicate with big investors over its diversification plans.

"I suspect, Sun Life just don't want any big shareholders at all," he said.

Transatlantic began building its stake in Sun Life in 1980 but has never obtained a seat on the group's board.

Mr Middlemas said that Sun Life's restructuring proposal would have threatened shareholders with dilution of their stakes.

"It is quite clearly in Sun Life's interests to go away and come back with new proposals for us to look at," Mr Middlemas said. That was flatly ruled out by Sun Life last night.

Sun Life's chairman, Mr Peter Grant, condemned Transatlantic's objections to the plan as "wholly unreasonable nit-picking" prompted by pique over Sun Life's rejection of a merger proposal from the company.

A merger with Transatlantic would have led to Sun Life "slipping sideways into the hands of Liberty Life," he said. Yesterday's abandonment of the restructuring plan would not mean the group.

Mr Middlemas said that talks between Transatlantic and Sun Life about a merger or a business partnership began before the restructuring plan was announced. But the discussions "proved unproductive," Mr Middlemas said, when Sun Life insisted that Transatlantic dispose of its shareholding as a precondition of any agreement.

## US mining group to take \$108m charge

By Our Financial Staff

M.A. HANNA, the Cleveland-based metals mining group, is to take a net charge of \$108m against fourth-quarter earnings because of restructuring activities, causing a loss for the period.

The company, which mines iron ore, nickel and other minerals, said the charge, which amounts to about \$9.55 a share, will include the write-off of Hanna's nickel investments, write-downs of energy and minerals investments and other restructuring costs.

M.A. Hanna said that it would incur about \$50.2m in fourth-quarter charges for the permanent closure of its wholly owned ferro-nickel operation in Oregon and the write-off of other nickel investments.

Charges of \$29.7m are related to a write-down of eastern coal investments whose value, the company said, had been permanently impaired by a depressed coal market.

## Peugeot marks recovery with promise of dividend

By Paul Betts in Paris

PEUGEOT will pay a dividend this year for the first time since 1970, Mr Jacques Calvet, the chairman of the private French car group, said yesterday.

Mr Calvet added, however, that the group had not yet decided whether the first dividend pay-out in seven years would involve "a symbolic or more substantial amount." None the less, the decision to pay a dividend marks a new chapter in the recovery of the French private car group, which after several years of heavy losses and widespread restructuring is now in the black.

Mr Calvet also disclosed yesterday that the group's Automobiles Peugeot subsidiary would report a substantially higher profit for 1986 compared with the FFf 658m (\$103m) earnings of 1985. He indicated that last year's earnings of the large car division would be well over 30 per cent higher than the year before.

Mr Calvet said last night that the group's other main car division, Citroën, would also report a profit for 1986 after six years of consecutive losses with earnings estimated at around FFf 300m.

However, the Peugeot chairman said the group had not decided yet if it was going to raise fresh equity this year although there has been repeated speculation that it would.

Mr Calvet indicated that the group would not turn to its shareholders for fresh funds again until it had started paying out a dividend again.

Despite a slump in the sale of cars to Nigeria and Iran, Mr Calvet said the Automobiles Peugeot division would see a sharp growth in its profits. The rise reflects productivity improvements as well as strong sales in Europe.

Mr Jean Bollo, president of Automobiles Peugeot, said the company's European sales outside France grew by 19 per cent to 437,000 cars compared with 367,000 cars the year before in European markets which grew by an average of 8 per cent. Sales in the Netherlands rose by 44 per cent, 38 per cent in West Germany, 25 per cent in Switzerland, 16 per cent in Italy and 15 per cent in the UK.

However, in France Automobiles Peugeot registrations grew only to 380,000 cars last year compared with 385,500 cars in 1985 in a domestic market which increased by about 7.5 per cent. The company's domestic market penetration also fell back to 20.5 per cent from 21.8 per cent the year before. The company is now hoping to gain 22 per cent of a French market which is expected to total about 1,650,000 new registrations this year, 50,000 more than last year.

Automobiles Peugeot's production rose by 45,000 cars to 1,070,000 last year, with 500,000 Peugeot 205 models produced compared with 408,000 the year before.

Car kit sales to Nigeria and Iran dropped sharply last year to about 30,000 kits from 100,000 in 1985. Mr Bollo said that negotiations were continuing with the Iranian authorities over sales of kits manufactured by Peugeot in the UK to Iran this year. Discussions were also continuing with Tehran over possible modifications or the renewal of the Pekan model which Peugeot has been exporting in kit form to Iran from its Stoke plant near Coventry.

In the best years, Peugeot has sold up to 65,000 kits a year to Iran from the UK. But the level has slumped following the Iranian revolution and the subsequent Iran-Iraq conflict.

In Nigeria, sales of kits for assembly at Peugeot's plant there were also hit by the economic difficulties of the African oil producing country. However, after the introduction of a secondary exchange market by the Nigerian authorities, kit sales have recently resumed, and the Nigerian car plant has restarted production after a temporary shutdown. Mr Bollo said production in Nigeria was currently running at about 100 cars a day. The plant has a capacity of about 250 cars a day.

Mr Calvet also said yesterday he expected Peugeot group debts to show a decline of about FFf 1bn - FFf 1.5bn in 1986 from a total group indebtedness of FFf 32bn - FFf 35bn at the end of 1985. Automobile Peugeot's debts totalled FFf 11.5bn at the end of 1985 and are expected to decline by about FFf 1bn in 1986.

Mr Calvet also said yesterday he expected Peugeot group debts to show a decline of about FFf 1bn - FFf 1.5bn in 1986 from a total group indebtedness of FFf 32bn - FFf 35bn at the end of 1985. Automobile Peugeot's debts totalled FFf 11.5bn at the end of 1985 and are expected to decline by about FFf 1bn in 1986.

## Record car sales for Saab Scania

By Kevin Done in Stockholm

SAAB-SCANIA, the Swedish automotive and aerospace group, achieved record car sales last year with an increase of 18 per cent to 126,000 units.

The company is investing heavily in new capacity and is planning to build a new car assembly plant in Malmö in southern Sweden, which is due to come into production in 1990.

Under the current investment programme the group will have increased production capacity to 150,000 cars a year by 1988 and 180,000 by the end of 1990.

Mr Sten Wemlo, head of the Saab car division, said that production would increase by a further 5 to 8 per cent a year in both 1987 and 1988. Sales this year are forecast to reach 133,000 to 135,000 - more than double the 1980 production level of 65,800 units.

All the sales increase last year came from the Saab 9000, which was introduced in 1985 for the first time in most of the group's export markets and which moved Saab decisively up-market into more direct competition with BMW, Daimler-Benz and Volvo in the luxury car market.

In the US, the group's most important car market, sales increased by 24 per cent last year to 48,400 cars, and in western Europe - outside Scandinavia - sales jumped by 25 per cent to 27,200.

## Inco names new chief executive

By Bernard Simon in Toronto

INCO, the world's leading nickel producer, has named Mr Donald Phillips as chief executive officer to replace Mr Charles Baird, who retires in September.

Mr Phillips, who turns 57 today, is currently the company's president and chief operating officer.

## Boone Pickens renews assault with bid for 18% of Diamond

By James Buchanan in New York

MR T. BOONE PICKENS, the acquisitive Texas oilman, yesterday renewed his assault on Diamond Shamrock, the Dallas integrated oil company which recently halved its dividend.

A group consisting of Mr Pickens' company, Mesa Limited Partnership, and Mr John Harbert, a southern businessman, yesterday offered \$15 a share in cash for up to 20m shares or 18 per cent of Diamond.

Last month, Mr Pickens and Mr Harbert, who owns 4.5 per cent of Diamond, abruptly dropped a \$2bn offer of Mesa shares after Diamond rejected the approach. If accepted, the new offer will give the Pickens group, known as Lucky Partners, 25.5 per cent of Diamond. Diamond, which lost \$88m in the third quarter on sales of \$536m, had adopted a shareholders' rights plan, or "poison pill", which is activated if any



T. Boone Pickens

shareholder reaches 25 per cent of the common equity.

If successful, Mesa will revive the earlier plan and offer the remaining shareholders units of the limited

partnership, which currently offer a \$2 a share cash distribution against last year's Diamond dividend of \$1.37.

Mr Pickens, who has bitterly criticised Diamond for rejecting the earlier offer, said the new cash offer increased the likelihood shareholders would be able to judge for themselves. Diamond has cast doubts on Mesa's ability to go on paying \$2 a share without access to Diamond's cash flow.

Diamond's shares rose 5% to \$14 1/4 in early trading yesterday.

The renewed attack on Diamond comes after a year in which Mr Pickens has uncharacteristically abstained from harassing his favoured prey in the depressed US oil and gas sector. He made hostile bids for Phillips Petroleum and Unocal in 1984 and 1985.

## Lockheed pulls out of electronics joint venture

By Our New York Staff

MICROELECTRONICS and Computer Technology Corporation, the joint venture which was established in 1983 to help the US computer industry meet Japanese competition in long-term research programmes, suffered a series of blows this week with the withdrawal of three leading high-tech companies.

Lockheed Corporation said yesterday that it had notified the Austin-based consortium, which is known as MCC, of its intention to pull its missiles and space subsidiary out of the co-operative research effort. Earlier this week it emerged that Unisys, the second-largest US computer company, and Allied-Signal, a diversified engineering and technology concern, had also notified their withdrawal.

All three companies will remain in MCC until the end of 1987 since the joint venture's rules require a

year's notice of withdrawal and will continue to contribute to MCC's research budget of \$75m for 1987.

However, the loss of Unisys in particular will be a serious blow, because the company was one of MCC's biggest providers not only of money but also of research expertise.

Unisys, through its Sperry Univac subsidiary, is one of the leading US manufacturers of large mainframe computers.

These programmes, which were designed to compete with research efforts at the leading edges of computer technologies which have been co-ordinated by governments in Japan and the EEC, cover artificial intelligence, semiconductor packaging, database management, parallel processing, software technology, computer-aided design and interaction between people and computers.

No price was given for the purchase of Unisys, which is still expected to leave a considerable portion of the FFf 1bn (\$158.7m) of new capital Cap Gemini has raised over the past year.

## CAP Gemini in US computer unit purchase

By George Graham in Paris

CAP GEMINI Sogefi, the acquisition-hungry French computer services group, has added a US company to its list of purchases.

Sycom Systems, a New Jersey computer services company specialised in the financial and telecommunications areas, will take Cap Gemini's US turnover to an estimated \$150m in 1987. Sycom itself was "modestly profitable" in 1986 on a turnover of \$18m.

The French group doubled its size in the US with the purchase a year ago of the consulting arm of CCA Computer and has since then added acquisitions in West Germany and Italy.

No price was given for the purchase of Sycom, which is still expected to leave a considerable portion of the FFf 1bn (\$158.7m) of new capital Cap Gemini has raised over the past year.

## Cannon dismisses staff and cuts film production schedule

By Anatole Kaletsky in New York

CANNON GROUP, the troubled US film company which is the biggest cinema operator in Britain and one of the largest in Europe, has slashed its 1987 film production schedule and laid off an estimated 10 per cent of its US staff.

The cuts follow Cannon's narrow escape from insolvency last month through a complex financial tie-up negotiated with Warner Brothers, the communications group. The cuts suggest that the influx of \$15m in new funds as a result of the Warner rescue will not be enough to restore Cannon's position as a major force in the US and Europe.

Cannon said in Los Angeles late on Tuesday that it planned to produce only 12 to 15 films in 1987, compared with 46 last year. The group also said it was dismissing an unspecified number of employees. Industry observers estimate that around 10 per cent of the company's 250 Los Angeles-based US staff could lose their jobs.

The sharp cut in output is bound to call into question the promises to revitalise the British film industry made by Cannon earlier this year when it bought Thorn EMI Screen Entertainment.

Screen Entertainment included not only the 287 screens of the ABC movie theatre chain, which gave Cannon a 40 per cent share of the British cinema business, but also Elstree Studios, which Cannon suggested might benefit from much

new film production work as a result of the acquisition.

In the event, the Screen Entertainment deal has been largely responsible for Cannon's financial crisis, which came to a head last month when Cannon was unable to meet a payment of \$75m owed to Bond Corporation of Australia, which had previously bought Screen Entertainment from Thorn EMI.

Cannon eventually made its payment after offering Warner convertible and preferred securities which could eventually give Warner a 23 per cent stake in Cannon, as well as an option for Warner to buy 50 per cent of Cannon's European Theatres for only \$50m.

Both San Paolo and BNL, no longer view their holdings in Nuovo Ambrosiano as strategic and therefore prefer to realise the value of the stakes in order to invest elsewhere.

Nuovo Ambrosiano has undergone a successful restructuring since 1983 and is this year expected to produce a group consolidated net profit of around L100bn.

## L and G Australia premiums up

By Chris Sherwell in Sydney

AN INSIGHT into the dramatic transformation now being experienced by Australia's insurance industry appeared yesterday with the publication of 1986 premium income figures by Legal and General Australia, the local subsidiary of the British insurance group.

The figures showed a rise in total new premium income from A\$78.6m (US\$51m) in 1985 to A\$201.7m. The bulk of the increase was due to single premiums from deferred annuities.

The rise reflects a major tax change which took effect in July 1983, under which employees changing jobs could avoid a new 30 per cent tax on payments they received from their employers by accumulating the payments until retirement.

For Legal and General, total single premiums rose from A\$56.5m in 1985 to A\$177m, which represented 88 per cent of total new premium income. The contribution from deferred annuities rose from A\$55.5m to A\$262.9m last year.

The other major growth area in single premiums, came from insurance bonds, which rose from A\$40.2m to A\$71.7m.

According to Legal and General, which is the first company to report its unaudited 1986 figures, its performance in these areas is certain to be mirrored by the rest of the industry.

That could mean some big numbers from companies such as AMP and National Mutual, which control more than half the Australian market. Legal and General, though bigger than these worldwide, is only about the sixth-largest insurance company in Australia.

Its 1986 figures also showed that, with the increase in single premiums from deferred annuities, insurance bonds, group superannuation and other items, the relative importance of annual premiums has declined.

Their contributions to new premium income halved from 26.7 per cent of the total to 13.2 per cent in absolute terms, however, they still rose from A\$28.7m in 1985 to A\$22.7m.

## San Paolo sells stake in NBA

By Alan Friedman in Milan

THE ISTITUTO San Paolo di Torino, one of Italy's biggest banks and an original member of the consortium of seven private and state banks which took control of Banco Ambrosiano in 1982, has sold its 8.92 per cent shareholding in Nuovo Banco Ambrosiano (NBA), the successor to the late Roberto Calvi's bank.

San Paolo sold its ordinary and savings shares in NBA to Credito, the Rome-based medium-term credit institute, for L152bn (\$112.9m). Credito is also said to be negotiating to acquire a similarly sized share packet in Nuovo Ambrosiano from Banca Nazionale del Lavoro (BNL), the largest Italian bank.

The San Paolo stake in NBA consisted of both ordinary and savings shares with total voting rights equal to 8.9 per cent of the bank.

The price paid by Credito for the NBA stake, amounting to L4,000 a

share. The price of NBA shares on the Milan bourse yesterday was L2,805 each.

Both San Paolo and BNL, no longer view their holdings in Nuovo Ambrosiano as strategic and therefore prefer to realise the value of the stakes in order to invest elsewhere.

Nuovo Ambrosiano has undergone a successful restructuring since 1983 and is this year expected to produce a group consolidated net profit of around L100bn.

**CITY City Federal Savings Bank**  
U.S. \$100,000,000  
Collateralized Floating Rate Notes  
Due October 1993

Notice is hereby given that the Rate of Interest has been fixed at 6.30% p.a. and that the interest payable on the relevant Interest Payment Date, April 8, 1987, against Coupon No. 2 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$393.75.

January 8, 1987, London.  
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**

**Shearson Lehman Brothers Holdings Inc.**  
(Incorporated in Delaware)  
U.S. \$300,000,000  
Floating Rate Notes Due October 1996

For the three months  
8th January, 1987 to 8th April, 1987  
the Notes will carry an interest rate of 6.35 per cent. per annum and interest payable on the relevant interest payment date 8th April, 1987 will amount to U.S. \$158.75 per U.S. \$10,000 Note.

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**The Ministry of Finance of The Kingdom of Thailand**  
U.S. \$350,000,000  
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December 19, 1986  
This announcement appears as a matter of record only.

NEW ISSUE

This announcement appears as a matter of record only.

January, 1987

**MEIJI****MEIJI MILK PRODUCTS CO., LTD.****U.S.\$50,000,000****3½ per cent. Guaranteed Bonds due 1992**

with

**Warrants**

to subscribe for shares of common stock of Meiji Milk Products Co., Ltd.

Payment of principal and interest being unconditionally and irrevocably guaranteed by

**The Dai-ichi Kangyo Bank, Limited****ISSUE PRICE 100 PER CENT.****Daiwa Europe Limited****Nomura International Limited****DKB International Limited****Union Bank of Switzerland (Securities) Limited****Banca Commerciale Italiana****Banque Arabe et Internationale d'Investissement (B.A.I.I.)****Banque Paribas Capital Markets Limited****Baring Brothers & Co., Limited****Bayerische Vereinsbank Aktiengesellschaft****James Capel & Co.****Cazenove & Co.****Credit Suisse First Boston Limited****Deutsche Bank Capital Markets Limited****Dresdner Bank Aktiengesellschaft****Robert Fleming & Co. Limited****IMI Capital Markets (U.K.) Ltd.****Kleinwort Benson Limited****Kyowa Bank Nederland N.V.****Merrill Lynch Capital Markets****Mitsubishi Trust International Limited****Morgan Stanley International****The Nikko Securities Co., (Europe) Limited****Nippon Kangyo Kakumaru (Europe) Limited****Salomon Brothers International Limited****Société Générale****Swiss Bank Corporation International Limited**

All of these securities have been sold. This announcement appears as a matter of record only.

December 1986

**CELLULAR COMMUNICATIONS, INC.****2,306,474 Shares****Common Stock****L. F. ROTHSCHILD, UNTERBERG, TOWBIN, INC.****DONALDSON, LUFKIN & JENRETTE****BEAR, STEARNS & CO. INC.****THE FIRST BOSTON CORPORATION****ALEX. BROWN & SONS****DREXEL BURNHAM LAMBERT****HAMBRECHT & QUIST****LAZARD FRERES & CO.****MONTGOMERY SECURITIES****MORGAN STANLEY & CO.****PRUDENTIAL-BACHE****SHEARSON LEHMAN BROTHERS INC.****SMITH BARNEY, HARRIS UPHAM & CO.****WERTHEIM & CO., INC.****FIRST ALBANY CORPORATION****ALLEN & COMPANY****WILLIAM BLAIR & COMPANY****EBERSTADT FLEMING INC.****A. G. EDWARDS & SONS, INC.****LADENBURG, THALMANN & CO. INC.****OPPENHEIMER & CO., INC.****PIPER, JAFFRAY & HOPWOOD****ROTHSCHILD INC.****ABD SECURITIES CORPORATION****CAZENOVE INC. EUROPARTNERS SECURITIES CORPORATION****KLEINWORT BENSON****SWISS BANK CORPORATION INTERNATIONAL SECURITIES INC.****KITCAT AITKEN & SAFRAN**

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**CGF CAPITAL B.V.**

(the "Issuer")

(Incorporated with limited liability in The Netherlands)

**NOTICE**to the holders of the outstanding **U.S.\$50,000,000 7½ per cent. Convertible Subordinated Guaranteed Bonds Due 30 June 2001** of the Issuer (the "Bonds") of the**EARLY REDEMPTION ON 7 FEBRUARY 1987**

of all the Bonds of the Issuer

Conversion Right Expiry Date: 30 January 1987

Redemption Date: 7 February 1987

NOTICE IS HEREBY GIVEN to the holders of the Bonds (the "Bondholders") that, pursuant to and in accordance with the Terms and Conditions endorsed on the Bonds (the "Conditions"), the Issuer will on 7 February 1987 (the "redemption date") redeem all of the Bonds then outstanding and not previously converted into Ordinary Shares of 25p each of Consolidated Gold Fields PLC (the "Guarantor"). The Bonds will be redeemed at a price equal to 100 per cent. of their principal amount, together with interest accrued to such date.

Bondholders have the option to convert the principal amount of the Bonds into Ordinary Shares of 25p each of Consolidated Gold Fields PLC (the "Guarantor"), credited as fully paid, at a conversion price of 74 pence per Ordinary share. On 6 January 1987, the middle market quotation of the Ordinary Shares of the Guarantor, as derived from The Stock Exchange Daily Official List, was 68½ pence per share. As provided in the Conditions, any Bondholder who wishes to exercise his right to convert must complete, sign and lodge, together with all unexpired Coupons, a Notice of Conversion with either the Principal Paying and Conversion Agent or any of the Paying and Conversion Agents, as set out below, at any time up to the close of business on 30 January 1987, when the conversion rights attaching to the Bonds will terminate.

On redemption, payments of principal and accrued interest will be made, in accordance with Condition 1 of the Bonds, against surrender of the Bonds and Coupons at the specified office of any of the Paying Agents listed below. Each Bond should be presented for redemption together with all unexpired Coupons appertaining thereto, failing which the amount of any such missing unexpired Coupons will be deducted from the sum due for payment on the redemption date.

The attention of Bondholders is drawn to the Conditions and, in particular, to Conditions 5, 6 and 7 which contain further details regarding redemption and conversion.

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8 January 1987

**NATIONAL BANK OF CANADA**

(A chartered bank governed by the Bank Act of Canada)

**U.S.\$50,000,000****Floating Rate Notes due January 1991**

In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from January 8th 1987 to July 8th 1987

the Notes will carry an Interest Rate of 6.375% per annum. The Coupon amount payable on Notes of U.S.\$5,000 will be \$160.26.

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**INTL. COMPANIES AND FINANCE****Wang cuts pay in US and sheds 1,000 jobs**

By Our Financial Staff

WANG LABORATORIES, the Massachusetts-based manufacturer of office automation equipment, is cutting pay for US employees by 6 per cent immediately and shedding 1,000 jobs in anticipation of an operating loss for the second quarter ended December 31, as reported in brief yesterday.

Wang said that the second-quarter loss would be no less than that of the first quarter. The company reported a net loss of \$30m for the first quarter ended September 30.

The company, which recently named Mr Frederick Wang president to succeed his father An Wang, said that it would report the second-quarter results on January 20. Wang reported a second-quarter profit of \$28.7m on sales of \$678.5m in the year-ago quarter.

Wang said that the actions would reduce expenses by 4 to 5 per cent, or about \$50m in the next six months, and were necessary steps towards reaching profitability in the fourth quarter, which it said it is determined to achieve.

The pay cut will be for six months and be accompanied by a stock grant. This will entitle employees, employed through January 1 1988, to receive an amount of Class B common stock equal in value to half the amount of their salary reduction.

Those still employed through January 1 1988 will have the right to receive stock equal in value to the other half of the salary reduction.

Wang estimates that 1.3m shares will be distributed to employees in the stock grant programme.

**Banca Nazionale del Lavoro plans to float three subsidiaries**

BY ALAN FRIEDMAN IN MILAN

THE BANCA Nazionale del Lavoro (BNL), Italy's largest state-owned bank, is planning to sell shares on the international capital market and also plans to float three of its non-banking subsidiaries on the Milan bourse this year.

Mr Nerio Nesi, BNL chairman, said yesterday that he expected the bank to sell shares outside Italy. He did not specify the amount to be raised.

Mr Nesi said that BNL was putting the finishing touches on partial privatisation share offers for Locafit, a leasing subsidiary, for Ifitalia, a factoring company, and for BNL

holding, which groups together 32 "para-banking" companies controlled by the BNL group.

Locafit has 22 associated companies which last year obtained L1,071bn (\$703m) of leasing contracts. The Locafit parent company, which has L50bn of paid-in capital, made a pre-tax 1986 profit of L11.5bn.

Ifitalia has 37 associated factoring companies, paid-in capital of L40bn and a 47.4 per cent share of the national factoring market in Italy. Ifitalia's 1986 operating profit was L5.5bn, and its outstanding fac-

toring turnover last September came to L14,480bn, of which L2,090bn was attributed to the parent company.

BNL Holding has L120bn of capital and operates in a variety of sectors such as leasing, factoring, auditing and other activities.

At least some of the share offers are expected before the middle of the year although Mr Nesi gave no indication of how much was likely to be asked of the market. It is assumed that something like 30 to 25 per cent of each company's shares will be offered on the Milan stock-market.

**Thai bank faces cut in capital**

BY PETER UNGPHAKORN IN BANGKOK

THE BANK of Thailand is poised to impose stringent disciplinary measures on Siam City Bank today, starting with a reduction in its capital to one 20th of par.

Siam City, ranked about ninth out of Thailand's 16 commercial banks, failed to increase its capital from 800m (\$30.96m) to 1,200m by the end of last month. This had been required by the central bank as part of efforts to cover outstanding bad and doubtful debts estimated at 3,000m.

The central bank also wanted its shareholders, dominated by the Mahadumrongkool family, to come up with another 500m this year.

Following negotiations with Siam City's management the Bank of Thailand told Siam City to provide by last night convincing evidence that the capital could be raised.

So far the troubled bank's share-

holders have only raised baht 107m in new capital, and the central bank is expected to order an 80 per cent cut in the par value of Siam City's shares under new powers approved last year.

Siam City is the third Thai bank to require bailing out in the past few years. But whereas the first one, the Asia Trust Bank, was nationalised, the Bank of Thailand is determined to keep the bank in private hands while preventing its collapse.

Central bank officials are believed to have already held informal discussions with possible new shareholders who would broaden Siam City's ownership and introduce a more modern and effective management.

The central bank might also take up a stake of up to 10 per cent in new equity through the Fund for the Rehabilitation and Development of Financial Institutions

which it controls but is paid for by all banks.

The fund is one of a number of controversial powers, including criminal prosecution of bank executives who commit serious offences, granted to the Bank of Thailand to allow it to prevent banks from collapsing.

Siam City has suffered from internal quarrels, poor financial management and recession-stricken customers. But it has survived persistent reports about its weakness without a run on its deposits, largely because of belief that the central bank would support it.

Meanwhile, the First Bangkok City Bank, which underwent a rescue reorganisation last year, announced yesterday that it made profits of baht 164m last year. Deposits were reported to have increased considerably since September, following a reorganisation.

NEW ISSUE

6th January, 1987

**mitsui & co., ltd.****8 per cent. Dual Currency Yen/U.S. Dollar Bonds due 1992****Issue Price: 101½ per cent. of the Issue Amount**

Issue Amount:

**¥20,000,000,000**

Redemption Amount at Maturity:

**U.S. \$115,280,000****Nomura International Limited****Prudential-Bache Securities International****Mitsui Trust International Limited****Bank of Tokyo International Limited****Banque Nationale de Paris****Citicorp Investment Bank Limited****County NatWest Capital Markets Limited****Daiwa Europe Limited****Fuji International Finance Limited****Goldman Sachs International Corp.****Kleinwort Benson Limited****Mitsui Finance International Limited****Morgan Stanley International****New Japan Securities Europe Limited****The Nikko Securities Co., (Europe) Ltd.****J. Henry Schroder Wagg & Co. Limited****Smith Barney, Harris Upham & Co.****Yamaichi International (Europe) Limited****THE SECOND  
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Weekly net asset value

**Tokyo Pacific Holdings (Seaboard) N.V.****on 5th Jan. 1987 U.S. \$131.42**

Listed on the Amsterdam Stock Exchange

Information: Pierson, Hidding &amp; Pierson N.V., Herengracht 214, 1016 BF Amsterdam.

**AIBD BOND INDICES**

Currency	Yield	Weekly			12 Months		
		Change	High	Low	Change	High	Low
US Dollar	8.497	0.224	10.262	8.450	-1.142	14.587	12.830
Australian Dollar	13.853	-1.128	14.587	12.830	-1.128	14.587	12.830
Canadian Dollar	10.085	-1.128	11.204	10.082	-1.128	11.204	10.082
Eurodollar	5.945	-0.059	6.314	5.804	-0.059	6.314	5.804
Euro Currency Unit	8.544	-0.059	9.324	8.164	-0.059	9.324	8.164
Yen	6.167	-0.709	7.002	6.164	-0.709	7.002	6.164
Swedish	11.023	-1.703	11.932	9.751	-1.703	11.932	9.751
Deutsche Mark	6.266	-0.571	6.947	6.265	-0.571	6.947	6.265

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Telex 812744 JYZ CH



December 1986

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# Navistar International Corporation

# Common Stock

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## MANAGEMENT : Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

## UK retail banking

## Midland races ahead in radical rethinking

Forced to adjust their marketing approach, the clearers are adopting different strategies. Hugo Dixon reports

THE UK clearing banks' extensive branch networks could be about to shrink, if a leaked document from Midland Bank is anything to go by.

This document, which BIFU, the banking union, got hold of recently, showed that Midland was considering shutting 450 of its current 2,500 branches by the end of the decade. It is the first hard evidence that the clearers are having to rethink their long-established policy of having a presence in every high street. This policy has left UK clearers with the largest branch networks of any commercial banks in the world.

It may seem odd to worry about the profitability of the branch network at a time when clearers are earning record profits, largely on the strength of their performance in retail markets. Stung by their bad debt experience in the Third World, they have been more than ready to retreat to their home base.

But it is precisely because they are now attacking these markets, which they once neglected, with such enthusiasm that previously handsome profit margins are being squeezed. This has already happened in the mortgage and savings markets.

Since the banks moved into home loans and broke up the building societies' cosy cartel which fixed the mortgage rate, the extra 1 per cent that used to be charged on endowment mortgages has been abolished. So has the premium charged for large mortgages.

And competition in the savings market has pushed up the average cost of banks' retail funds. All net new funds are going either into new high interest deposits or high interest accounts, rather than traditional low interest seven-day deposits.

Lloyds Bank is a good example. Over the past year, seven-day deposits have shrunk 3 per cent to 22.7m, whereas high interest deposits have grown 29 per cent to 22.5bn and high interest current accounts 171 per cent to £233m.

The competition will hot up next year when the 1986 Building Societies Act comes into force. Societies will then have their revenge as they are allowed into the banks' most profitable markets.

Though the societies are likely to proceed cautiously, the extremely high margins banks now charge on personal loans and credit card borrowing seem certain to come under pressure. At the same time, these markets are likely to be shrinking as consumers who have over-borrowed start to retrench.

Given this competitive environment, the clearers will have three choices: cut their

branch networks, the source of most of their overheads; make them work harder; or a mixture of the two.

If they could decide on narrow economic grounds, they would probably cut the network. Although a larger network is more convenient to customers and, up to a point, can be justified by the extra business it brings in, beyond that point an extra branch brings in hardly any new revenue.

The major clearers are probably a long way past that point. Only the TSB, which has far fewer branches, is still at the stage of building up a comprehensive national network.

But banks are not free to decide on narrow economic grounds. They are constrained by causing a major rupture with their unions, a massive branch closure programme would lose goodwill with the public when the marketing strategies are intended to persuade people that they are friendly institutions.

Closing branches would be like closing sub-post offices, says Seymour Fortescue, Barclays Bank's director for personal banking. But he cautions: "We have closed a large number in the past and may have to do so a lot more. . . . We are not a charity."

National Westminster Bank also has plans to reduce its network, which currently totals 3,200 branches. By the end of the decade, it will have shut 100 branches, most of them in depressed areas, says Derek Wanless, its director for personal banking.

But, apart from Midland, none of the clearers admits that it is contemplating more than a trimming of its network. Instead, they are pursuing the strategy of making them work harder—some more vigorously than others.

Such a strategy has five inter-linked elements: restructuring the network; computerising it; redesigning branches; retraining branch staff; and getting

them to sell a wider variety of products.

First, restructuring the network. This is necessary because banks are running two businesses—personal banking and corporate banking—out of one set of outlets. As a result, neither receives sufficient attention.

Bank managers have to be Jack-of-all-trades and so lack the skills to give specialist advice to their corporate clients. But since most find corporate lending more glamorous, they have also neglected their personal customers. As Fortescue puts it: "A personal banker has tended to be regarded as a failed corporate banker." Or as Ian Paterson, Midland Bank's director for retail banking, says: "The all-things-to-all-men branch is not suitable in the 1990s."

Therefore attempts are being made to unscramble the two businesses and focus on each separately. It should then be possible to run both more professionally and, most important, profitably.

Midland has the most ambitious plans. By 1990, it intends to be handling all corporate clients with an annual turnover of more than £5m in 80 new corporate offices.

Smaller corporate clients will be dealt with in 120 large area branches and personal customers in 1,400 small branches. In only 200 of these branches, in towns where Midland has only one branch, will the two businesses remain entwined.

Barclays is being less ambitious. By the end of the decade, it will have 100 large area branches, instead of 1,000 small branches doing mostly personal business and 1,500 medium-sized branches doing both.

Some senior managers at Barclays argue that this is only a "half-way house" and would like to see a more radical split between corporate and personal banking. They say that the bank which goes the fastest

down this route will emerge with an important competitive advantage.

NatWest is adopting a similar half-way position, though Wanless warns against taking it any further: "If you split it too much, you reduce the size of the branch network and lose the benefits of convenience it brings."

An even more cautious approach is being adopted by Lloyds Bank, which plans to do no more than set up 60 offices for corporate clients by early 1988. John Dawson, its director for retail banking, describes the plan as slow and evolutionary.

The second element is computerisation. It is not only important to split personal from corporate banking, but also to be able to focus separately on every sector of the personal market: the old, yuppies, homeowners, students and the one-parent families.

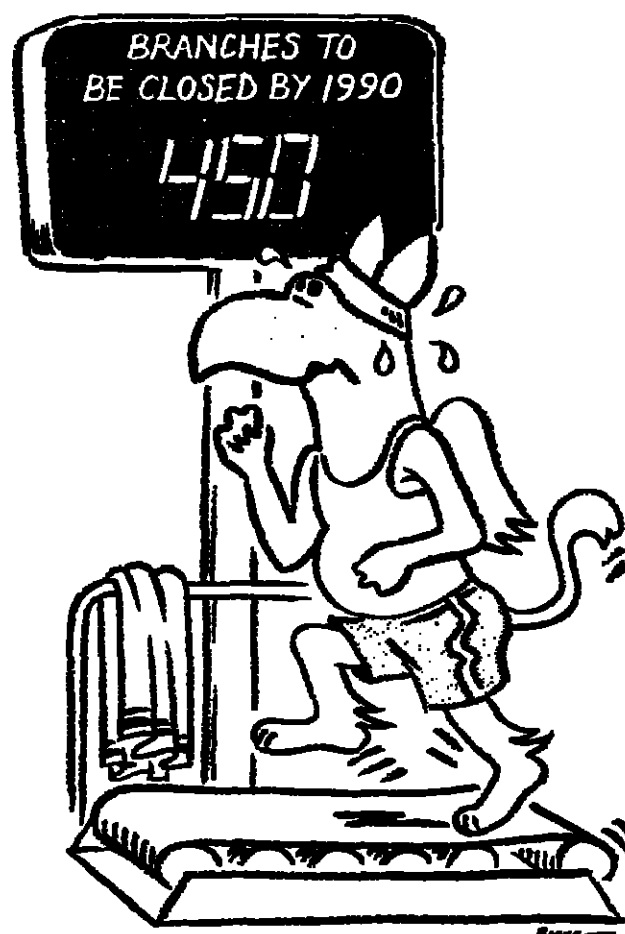
Each category has different financial needs. If banks could discover at the touch of a button what they were, their mass-marketing techniques would be more penetrating. However, at the moment, their computer systems are just not structured in this way.

Banks are now investing vast amounts of money to change this. Lloyds' programme is costing £570m over three years, Midland's £400m over five years, NatWest's more than £800m over five years and Barclays is also spending hundreds of millions of pounds.

The third element is to spruce up the branches. They have to be made friendly and welcoming if people are to want to enter them and buy financial services, instead of being austere and forbidding, as is usually the case now.

Space has to be cleared in the front of the branches before bank clerks can come forward and start selling. It is not easy to make a sales pitch from behind a cashier's grille.

Barclays has one of the most far-reaching programmes. Over



the next five years, it will be putting plate glass in its branches' windows, redecorating the interior, making its managers' offices more accessible and pushing back the cashiers' grilles.

The total cost will be £150m — on top of what it would already have been spending on normal refurbishment. Midland is spending even more—£200m over five years.

NatWest is not so sure. It is still at the stage of assessing customer reactions to its pilot scheme and, says Wanless, "adopting a cautious approach."

Lloyds is even less enthusiastic. Its original design did not work, so it has set up another pilot scheme.

"You've got to be awfully careful not to impose your judgment on customers," says Dawson. "They are much more conservative than we are."

The fourth element is retraining staff. It is no use pushing back the cashiers' grilles and bringing bank clerks up front if they do not know how to sell. But branch staff, who have spent most of their time doing routine paperwork, are not used

to selling. According to Philip Warner, who is in charge of Barclays' retraining programme, they have become "human signposts." They need to be taught to sell and "to smile," he says. "Selling banking is no different from selling hamburgers."

Unfortunately for the banks, their ambitions in three of these markets—life assurance, unit trusts and personal pensions—look like being severely limited by a rule proposed by the Securities and Investments Board, the new financial services watchdog.

This rule, known as polarisation, is due to come into effect some time next year and is intended to prevent conflicts of interest. It will force banks to choose between selling only their own products through their branches and giving independent advice on competitors' products.

If they choose the first option, they will not be able to masquerade as independent advisers. If they choose the second, they will in practice not be able to sell their own products through their branches. Either way, the range of services they can sell will be limited.

Selling unit trusts and life assurance through branches may be stymied by the SIB's rules, but selling shares and PEPs will not. The only problem is that it is far from clear how persistent the demand for shares will be when the hype of privatisation issues has worn off.

"Capital markets can devour large amounts of capital and people," says Midland's Paterson. "We have to be careful not to invest more overheads unless justified."

The other banks are more optimistic. "The savings market will be securitised," says Lloyds' Dawson, "and volume players have an advantage." He sees more profits in PEPs than shares and so has tried to pre-empt the competition by underpricing his PEP plan.

NatWest and Barclays put more trust in conventional shares. NatWest has already launched an electronic dealing service for British Gas shares in 245 branches; from the middle of next year Barclays will be operating a similar system for a larger number of shares in 150 branches.

So can the banks afford to keep their networks? Much more depends on factors largely beyond their control: how competitive traditional banking markets become; how fast new financial markets grow; and how regulators do.

But the lion's share depends on how managers react to this changing environment. Those which make their branches work the hardest will be able to afford the lion's share of their networks. The others will find that much more savage cuts are needed at a later date.

## Spree starts to taper off

LAST YEAR probably saw the peak of the 1980s consumer spending boom, according to the latest forecasts from Staniland Hall, the London business forecasters. However, the spree seems likely to continue during 1987 with only slightly less exuberance thanks to the dampening effects of rising inflation.

The company's latest volume of Consumer Spending Forecasts says this implies higher interest rates and small reductions in its earlier forecasts for growth in spending and output over the next five years.

It estimates that spending in value terms will grow 8.5 per cent in 1987 after the 9 per cent rise experienced in 1986. Inflation will increase from below 4 per cent in the last quarter of 1986 to around 5 per cent in the last three months of this year.

Working on the assumption that a general election will be held this autumn, Staniland Hall predicts that because the incoming government will be more concerned to check inflation than to cut taxes, 1988 will be "a year of very moderate spending and output growth."

Disposable incomes are forecast to increase 8 per cent this year, thanks largely to tax cuts in the budget, and rise by an average 7.5 per cent a year over the five years to 1991. In real terms, this amounts to 2.75 per cent a year growth compared with almost 4 per cent in 1986 and only 1.2 per cent a year between 1979 and 1985.

Forecasters of spending changes in specific sectors include a 3 per cent increase in new car registrations this year after an estimated 3.3 per cent rise last year. However, the company also predicts a 5 per cent fall in 1988.

The furniture and floor coverings markets, which grew strongly in the past six months, are expected to show above average increases this year, and sales of kitchen appliances and home entertainment products are forecast to advance at rates only slightly lower than last year's exceptional levels.

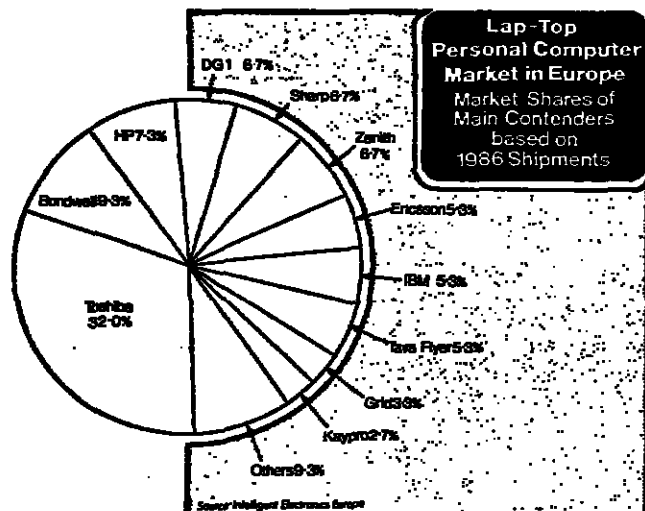
£95 per issue from Staniland Hall Associates, 42 Colebrook Row, London N1 8AF. Tel 01-359 6054.

Christopher Parkes

## TECHNOLOGY: Computing

BY ALAN CANE

**Lovell**  
BICENTENARY  
Two centuries  
strong and  
building  
1786 / 1986



## Portable sales fall into Toshiba's lap

TOSHIBA, the Japanese electronics equipment manufacturer, has taken a spectacular lead in Europe in portable or "lap-top" personal computers.

Figures from the Paris-based marketing consultancy, Intelligent Electronics, show that last year Toshiba had 32 per cent of the West European market, its closest competitor, Bowdell, a South East Asian manufacturer, had only 9.3 per cent, while Hewlett Packard and IBM of the US trailed with 7.3 per cent and 5.8 per cent respectively.

According to Intelligent Electronics, Toshiba's success is not due only to the advanced technical features found in its machines—including high definition gas plasma screens and hard disks—but also to the timing of its entry into the market, and its distribution strategy.

"Toshiba's subsidiaries and its importers started to promote this product range at a time when the European introduction of the Commodore from IBM was expected."

"The company succeeded remarkably well in getting accepted by IBM dealers willing to carry a lap-top model while waiting for delivery of the IBM machine."

Margins were attractive and little extra expertise was needed to sell the product. Now some 50 major European IBM dealers carry the Toshiba portable range.

The market remains difficult and has yet to live up to the expectations of the portable manufacturers.

The problem has always been the limited hardware and even more limited software range.

Today's lap-top portables, however, are a considerable advance on the Epsoms or Tandys of only a year or so ago. A full-featured lap-top these days is expected to have as standard:

- At least one disk drive for data storage.
- A flat screen, whether liquid crystal or gas plasma, able to cope with 25 lines by 80 columns (the conventional IBM personal computer standard).
- A weight of less than 8.5 kg that is no larger than a standard briefcase.

- Full functionality including an industry standard operating system allowing programs to be switched and changed.

- Its own power display (plasma screens are the exception: they produce a high quality image but at the expense of high power input).

- A price in excess of \$1000.

Intelligent Electronics argues that technological improvement is still necessary. Screen size and quality could be better and more software dedicated to lap-top use is required.

Telecommunications is a further problem. Even if a modem (device for converting the computer's digital signals into analogue signals of the telecoms network, and vice versa) is built in, the user falls foul of the telecommunications regulations if he or she travels abroad. The real boom in lap-tops, Intelligent Electronics concludes, cannot be expected for another few years.

## Living with shortcomings of IBM's office software

IBM's key office automation software, Distributed Office Support System (Dissos), is complex, expensive and performs only moderately well. It has, however, become indispensable for IBM's large customers, whose interest in improving internal company communications is so strong that they are prepared to accommodate Dissos' shortcomings.

This is the chief conclusion of a study\* of major Dissos customers in Europe and the US carried out by Kephon, a UK-based consultancy.

Its detailed examination of Dissos in practice at over 60 IBM mainframe computers suggests that IBM has had considerable success in establishing the software as the foundation of office systems strategy at its major customers.

Dissos is designed to turn a large IBM mainframe computer into the heart of an electronic filing and mailing system; it makes possible the storage and retrieval of text or image documents, distribution of information and includes special services such as mail management and calendar facilities.

What makes it large and complex is the fact that it has to work with a large number of existing IBM machines which have little in common.

They include the 8100 and 5520 office computer systems, the Displaywriter word processor and the Scanmaster I image

terminal. The intention, it seems, is to cover the full range of systems from personal computers through the System/36 and /38 office computers and up to the new 9300 family.

As Kephon points out: "Nobody wanting to arrive at a major system that provided a friendly and consistent user interface, good performance, reliability and so on, would start from having more than seven disparate devices (not including printers) with different, well-established architectures, data document formats and communications protocols."

So Dissos was inevitably going to be an awkward, clumsy child with a voracious appetite for memory and a powerful need for care and support. "Plan for five times the amount of support IBM recommends," one of Kephon's respondents urged. "Double the time IBM recommends for implementation."

It is important, however, because there is basically no competition in an all-IBM environment and because most of the manufacturers offering alternatives on their own machinery—typically Digital Equipment's All-in-One and Data General's CEO—also offer Dissos compatibility. The electronic office in the large corporation will be dominated by Dissos.

Why install Dissos in the first place? Kephon found eight broad categories of expected

benefits. Communication was dominant, with some 60 per cent of respondents indicating that they expected their company's internal communications to improve.

The other expected benefits, listed in order of importance were: document archiving, electronic mail, document retrieval, extension of the use of existing IBM office equipment, executive support and reduced voice communications. The eighth category included a mixture of items including replacement of microfiche and facsimile systems.

Of the customers consulted, over half (58 per cent) thought they had achieved the benefits expected and a further 20 per cent had had partial success.

Only 14 per cent said that Dissos had definitely failed to come up to expectations.

Mr Geoffrey Norman, the Kephon consultant who carried out the study, said this week that while Dissos would remain central to IBM's mainframe-based office automation strategy, its functions would change as a result of new software on the way.

It could be relegated to the role of archive management while the all important interface with the user might be taken over by IBM's Professional Office System (Profs). "Dissos in Practice, £39. Kephon, 0633 33848.

## Screens prove to be no substitute for a good secretary

FINANCIAL PLANNING and word processing programs are essential to the executive computer user, but electronic mail expert systems and graphics are of little or no use.

This is the surprising conclusion of a survey of 275 directors, managers, professionals and data processing staff carried out by the magazine Business Computing and Communications. Its overall conclusion is that personal computing is seen as a mixed blessing by senior staff.

On one hand, most agree their productivity is increased through the use of personal computers and on-line computer terminals. On the other, many have had to take on work previously carried out by junior staff, and bemoan the loss of secretarial support.

A senior consultant with a computer company complained, for example: "I have not had secretarial support for over two years. I may yet weave my own papyrus and grind my own ink."

The sample of managers the magazine surveyed was chosen from its own readership list, so by definition, the respondents were already interested and involved in business computing.

Among the principal findings was the fact that two thirds of the respondents had taught

themselves computing, a sharp indictment of the corporate attitude in the UK towards information technology.

Three quarters of the sample believed that computers had increased their productivity while half thought their decision-making had improved. Over one third of the respondents, however, did not agree with this view.

Most felt their job had been enlarged as a result of using a computer. "Now I am able to take the job through from design to production," said the managing director of an engineering design company.

A significant number felt they were able to take on work previously done by clerical or secretarial staff.

The director of a textile company, for example, with a turnover of under £5m and less than 10 employees does routine correspondence on a personal computer, leaving the clerical staff with more time for a greater variety of tasks.

The survey also indicates clearly that most managers believe the software industry is not yet providing business packages of adequate quality for routine use, with the exception of word processing and financial planning.

The lack of commitment to electronic mail was surprising

as most analyses of office automation have identified this facility as of major importance. Almost 60 per cent of the sample said that electronic mail was of marginal or no use to them.

Asked why, 20 per cent said existing systems were inadequate, while 26 per cent gave no reason.

It seems likely that in a sample where most computer users were self-taught, there would be little in the way of corporate commitment to information technology, and therefore few companies with electronic mail installed throughout the organisation.

Without a sizeable population of users to send to and receive messages from, it would not be strange that many executives found little use for electronic mail.

Another surprise was the amount of time these admitted computer users spent at their machines. The survey found that 64 per cent of the sample used their computer between five and eight hours a week. Two-thirds of this group worked at their keyboards for eight hours a week or more. This was true of all categories of senior manager surveyed.

Business Computing and Communications. Tel: 01-855 7777.

## Information at hand for the blind

A MOUSE that "talks" to the blind is the latest contribution to computing for the disabled from IBM.

Designed and built at the Thomas J. Watson Research Center in the US, the device takes the principle of the mouse screen pointer, commonly used on small computers like the Apple Macintosh, and reverses it.

A palm-sized unit with a roller ball on the underside, the mouse is conventionally pushed around on a desk top to move an electronic pointer or cursor on the computer screen.

In the IBM device, the upper surface of the mouse is fitted with tiny pistons. As the cursor passes across letters or symbols on the screen, the pistons are raised

to form braille characters which can, IBM says, easily be recognised by a blind person used to reading braille script.

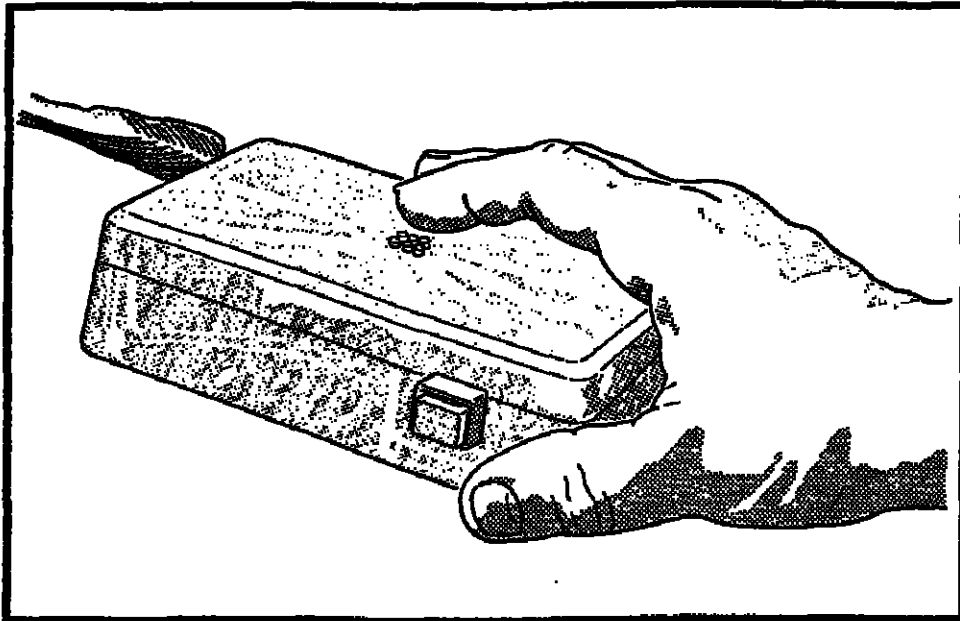
To give the blind user a frame of reference, the mouse is moved around on a special tablet engraved with rows and columns. There is a switch on the side of the mouse. Pressing it gives the user the location of the cursor on the screen in braille—the row and column numbers are read out through the pistons on top of the mouse.

According to IBM the user can alternate between Grade 1 (conventional) braille and computer braille which includes 50 programming symbols. IBM has a long history of

developing aids for the blind office worker and computer user.

In 1979, it developed a voice unit for its magnetic card typewriters, making it possible for a blind person to review and edit typed work. Three years later, its Hursley Laboratory in the UK developed a "talking terminal," a standard video terminal with a voice generator attached, enabling a blind or partially sighted person to hear, rather than see, the contents of the screen.

Its braille mouse can be used in conjunction with a speech synthesiser, says IBM. The device is now being evaluated at the Watson Research Center by blind computer users.





## UK COMPANY NEWS

# Horizon makes strong recovery to £4.6m

Horizon Travel, air holiday company and travel agent, has reported a pre-tax profit of £4.6m in the 11 months ended October 1986 against £14.4m for the year to November 1985, which included £16.4m from aircraft sales.

The group's accounting period was changed to end October to align with the end of the summer season, Mr Bruce Tanner, the chairman, said. November is a loss-making month for the company.

Trading profits for the period were £1.6m, a strong recovery, the chairman stated, on the £1.9m loss last time.

The directors are recommending an unchanged final dividend of 3.52p which maintains the total for the year at 4.4p. Earnings per share rose from 20.9p to 28.65p.

The chairman said the results demonstrated the successful achievement of the first phase of the company's medium term strategy. The turnaround in trading profits was directly attributable to that strategy, he added.

Looking ahead, Mr Tanner

said Horizon was well on course to achieve its targets for further volume growth and increased market share with a capacity for the current year in excess of one million holidays.

During the period to October 1986 turnover improved from £193.6m to £198.33m, with operating costs up from £121.03m to £130.04m. In tour operations the company's market share increased from 5 to 8 per cent and it sold 633,000 holidays, almost twice as many as in 1985.

There was also increased efficiency, the chairman said, with a load factor of 83 per cent and the number of holidays per employee doubling, although this was partly due to a decrease in staff.

The company's airline, Orion Airways, performed well during the period, with average utilisation of 12 hours per aircraft per day.

During 1986 the company formed a £12m joint venture company, Orion Flight Training, which, the chairman said, would double the simulator flight training capability and

generate substantial income. It also disposed of an interest in this company, which generated an exceptional profit of £2.94m.

Horizon's fleet has also been expanded, and in spring 1987 the company will take delivery of two wide-bodied Airbus A300s.

Commenting on the company's balance sheet, Mr Tanner said that Horizon was one of the strongest groups in its sector with exceptionally low debt gearing and £32.5m cash in the bank.

Trading profits for the period were struck after higher interest received of £3.61m (£3.3m) and share of profits from related and subsidiary companies of £1.11m (£1.06m). Although interest payable fell to £1.32m (£1.7m), administrative expenses rose from £12.81m to £20.04m. The pre-tax figure was after other operating income of £2.94m (£16.47m).

After a tax credit of £9.7m (£4.99m charge), and dividends, retained profits worked through at £12.09m (£7.31m). See Lex

## Union backs Pilkington in BTR bid battle

By Ian Hamilton Frazee, Northern Correspondent

IN A remarkable display of strength and unity that shocked more of a rally than a conference, trade unions yesterday gave unanimous support to Pilkington Brothers in resisting the hostile takeover bid for the glass giant by the industrial conglomerate BTR.

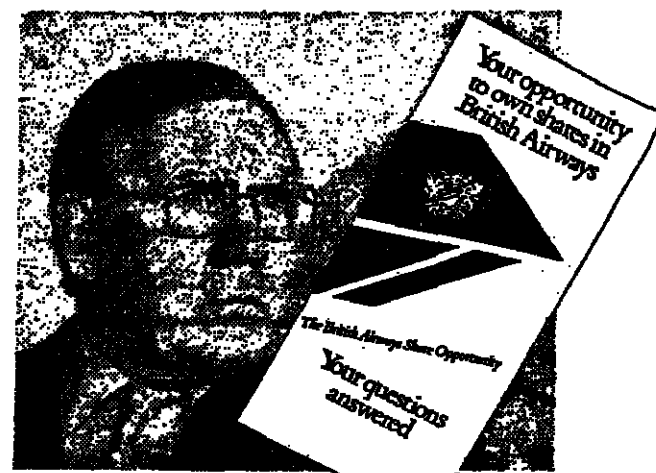
About 100 delegates attended the conference at the company's research headquarters in Lathom, Lancashire. They represented the 16,500 employees at all Pilkington's UK factories, laboratories and offices and were joined by union representatives from Pilkington-Finagles in West Germany and the company's Swedish subsidiary.

Intensive, organised lobbying of MPs, Ministers and major shareholders will start immediately. All-party parliamentary support is already extensive, with two Labour MPs and one Conservative addressing yesterday's conference and an SDP-Liberal Alliance representative bringing a message of support from Mr David Owen, the SDP leader.

The first stage of the lobbying will be to try to persuade the office of fair trading and Mr Paul Cullen, Trade and Industry Secretary, that the bid should be referred to the Monopolies and Mergers Commission.

## Richard Tomkins looks at the sales strategy behind the flotation of BA

### A bumpy flight path to the city



Lord King, chairman of British Airways, and some of the literature connected with the flotation

WHEN THE pathfinder prospectus for the flotation of British Airways is unveiled this morning, it will confirm what has already been widely surmised: that the Government is about to attempt the remarkable feat of successfully floating off a company which is in the midst of a painful profit downturn.

This poses a puzzling question. If, as the profits downturn suggests, British Airways is a risky proposition best suited to the more experienced investor, why are its shares being heavily advertised in a campaign apparently aimed at widening share ownership by attracting the population at large?

That British Airways has its risks as an investment is not in question. The history of the airline since its creation from the merger of BOAC and BEA in 1974 has been one of widely fluctuating profits; indeed, the beginning of the 1980s saw it dipping into heavy losses as a result of the world-wide recession and consequent downturn in passenger revenues.

The difficulty which British Airways faces is that the large numbers of aircraft and personnel required to operate a major international airline mean its fixed costs are proportionally very high, so variations in passenger demand are greatly exaggerated at the bottom line.

New management under the present chairman, Lord King, has wrought drastic changes in the past five years in an attempt to cut those costs and turn the airline into a thriving and profitable business.

Staff have been shed, the fleet has been modernised and a new management structure has been created, while on the market side there has been a far more aggressive approach to retailing the airline's services.

Yet not even this transformation from a sooty, over-bloated "jet" to a lean and efficient machine has been enough to protect British Airways from the vagaries of the international climate, as the prospectus will vividly illustrate.

Pre-tax profits of £195m for the year to March 1986 will be forecast to fall to around £145m-£150m for the current year.

The main factor behind the downturn will have been the decline in trans-Atlantic traffic in the first quarter of the current financial year

investors to expand their portfolios rather than create new shareholders.

In other words, it is not aimed at widening share ownership at all, but at deepening it.

The point was reinforced by the carefully chosen words of Mr John Moore, the Transport Secretary, when he announced the details of the British Airways offer for sale last October.

"The flotation will provide a further major opportunity to strengthen the base of individual share ownership in this country," he said. There was a mention of widening share ownership.

Nevertheless, the perception that the Government is peddling issues as the nearest thing in life to a free lunch will inevitably draw large numbers of novice investors to the issue.

Nor will they be discouraged by the likely low entry price to the flotation, the decision to allow payments by instalments, or the one-for-ten loyalty bonus of shares which will be payable at the end of three years on holdings worth £5,000 or less.

The Government, of course, will regard it as no bad thing if strong demand from security investors enables it to set a higher price on the issue than it might otherwise have been able to achieve.

It could, however, come under criticism if it is perceived as exploiting people's willingness to invest in privatisation stocks without appraising them of the risks.

Hill Samuel, the merchant bank sponsoring the flotation for the Government, acknowledges that it would not want to see pensioners taking their life savings out of the building society to invest in British Airways—or indeed, in any other stock—but says the beleaguered people's willingness to invest in privatisation and above-average yield will make the shares attractive even as part of a relatively narrow portfolio.

There are certainly no plans to attach a health warning to the shares, but the Government is keen to keep investors away. Hill Samuel says the prospectus will accurately portray the outlook for British Airways and it is patrolling to ensure that members of the public are incapable of weighing up the risks for themselves.

In any case, Hill Samuel adds, the press is always there to guide those inclined to err.

FIVE YEAR PROFITS RECORD (Year end March 31)					
	1982	1983	1984	1985	1986
Turnover	(£m)	(£m)	(£m)	(£m)	(£m)
Operating profit	2,241	2,497	2,514	2,943	3,149
Pre-tax profit	106*	74	185	191	195

\* Loss

figure substantially above the £195m of 1985-86.

Wood Mackenzie, one of the stockbrokers advising the Government on the flotation, has forecast a figure of £250m.

But many hazards beyond the airline's control lie along the flight path from here to there—exchange rates, fuel prices, economic growth rates and the possible effects of de-regulation, to name but a few.

An examination of these could lead to the conclusion that the airline's prospects are bleak, but in the light of all this, some ask whether it is appropriate to

say there is a perceptible difference between the British Airways campaign and the one for British Gas at the end of last year.

The British Gas campaign took a very different form and aimed itself directly at the side of the street. It also included direct mailing, and gave would-be investors very simplistic instructions about how to apply for the shares.

The British Airways campaign is intended to create a high level of awareness of the flotation, but with the aim of encouraging existing equity in-

## LCAH chief prepared to recommend bid

By Clay Harris

London and Continental Advertising Holdings is prepared to recommend the takeover bid from MAI if the offer is accepted by a majority of its shareholders.

Mr Christopher Perry, chief executive of the outdoor poster group, said yesterday that MAI's decision to make the offer unconditional with a bare majority and to drop two conditions would allow LCAH directors to deliver their previous pledge to support the bid. "The board could not do otherwise," Mr Perry said.

MAI announced, meanwhile, that it had received acceptance for nearly 6 per cent of LCAH ordinary shares to add to its own 29.99 per cent holding. It also owns 27.7 per cent of convertible loan stock. MAI has said the offer will close tomorrow.

The 118p cash offer values LCAH, up 6p to 121p, at £35.8m. MAI's shares added another 4p to 464p to value its 27-for-100 alternative at 125p.

## Mixed reception for Burton share scheme

By Nikki Tait

THE NEW executive share option scheme proposed by retail chain Burton, which gave senior employees options worth eight times their annual salaries, had a mixed reception from City institutions yesterday.

According to the National Association of Pension Funds, news of the scheme provoked a response from "a number of members who were not pleased with what they read in the papers."

The NAPF said it would now be studying the proposals in detail to see if they reached its investment committee's guidelines on option schemes.

Fund managers at a number of the larger institutions were also reserving judgment. "It's too early to say definitely—it's a question of finding the right balance of risk and reward," commented one. "It may be a question of whether the performance criteria are stiff enough."

But the Burton proposals also had their supporters. "I'm

fairly relaxed about it," said the investment manager of one large insurance company. "We will probably vote in favour."

"It's a question of balance," commented another, "and this doesn't seem out of kilter."

The disquiet seems to centre on two aspects of the option scheme: the eight times multiple of salary and whether the granting of the maximum number of options would involve unacceptable dilution of existing shareholders' stakes.

The guidelines from both the NAPF and the Association of British Insurers stipulate that the total number of shares issued or issuable under any company's option and share savings schemes should not, within a 10-year time period, exceed 10 per cent of the issued share capital.

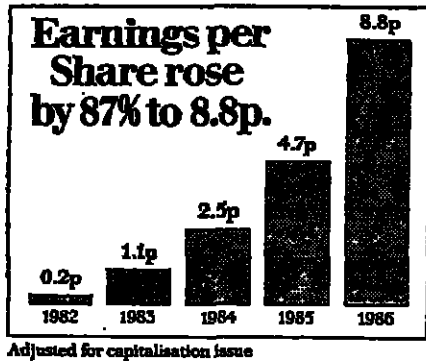
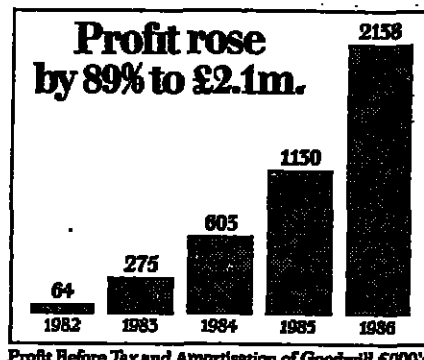
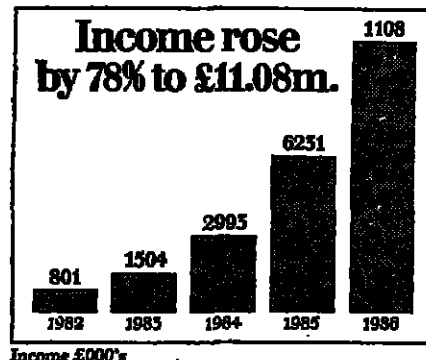
William M. Mercer Fraser, who formulated the new scheme, said that its full rules book stipulated that all the schemes in aggregate could not involve over 10 per cent of the share capital.

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## mission in the public interest

A decision on this is expected next week.

The second stage in the campaign will be directed at the 7m shareholders of the company which are Pilkington's major shareholders.

Mr Ken Hind, Conservative MP for West Lancashire, told the union delegates: "If the Prudential and Norwich stay with us, we will see off this bid. If they sell out the smaller ones will follow."

The union representatives were the General, Municipal and Boilermakers, the Amalgamated Union of Engineering Workers and Association of Scientific, Technical and Managerial Staffs.

It was soon apparent that what was happening was conditioned by Pilkington's management style and industrial relations policies. These centre on achieving co-operation even for rationalization, which a stream of union speakers condemned as while praising the humane approach the company had adopted.

Union suspicion, if not fear, of BTR and its reputation for expropriation was also obvious. The future of Pilkington's research and development programmes and laboratories was seen as totally at stake.

Mr Mario Rimmer, leader of the Labour-controlled St Helens Council, stressed the importance of Pilkington having its headquarters in the town, particularly for the effect on the whole northwest, where thousands of smaller companies benefit from the firm's "key loss" policy of specialisation.

Today she will lead a Council delegation to the City of London to put the case to stay with Pilkington to major shareholders.

Meanwhile, the bid remains in limbo, with the takeover timetable clock stopped to give the OFT longer to make its recommendation on referral.

Mr John Smith, the Shadow Trade and Industry spokesman, yesterday urged Sir Gordon Berrie, Director General of the Office of Fair Trading, to refer the proposed bid by BTR for Pilkington to the Monopolies and Mergers Commission. In a letter Mr Smith said "of particular concern is the likely reduction in the promotion of research and development which could have extremely adverse consequences for the British industry."

Helical Bar  
Prampton & Company, a Hong Kong company, has increased its stake in Helical Bar, the London-based property and investment group, 394,000 shares (10.7 per cent) following the purchase of 10,000 shares. The shares rose 25p to 488p yesterday.

## Valin Pollen leaps to £2m

Valin Pollen International, the corporate public relations group, continued to achieve substantial profit growth in the second half ended September 30, 1986, and for the year as a whole. The cost of obtaining £2 per cent from £1.1m to £2.5m. Turnover rose 50 per cent to £27.5m.

Mr Reg Valin, the chairman, said yesterday that the group had completed its seventh successive year of record growth and all operating subsidiaries had exceeded their income and profit targets. Last April, the group moved up from the USM to a full listing.

The group had been involved in a series of highly visible flotations, including Wellcome and TV-AM and had been appointed as advisers in three major forthcoming privatisations—British Airways, BAA and Rolls-Royce.

The current year had started well, Mr Valin said.

The final dividend is 1p net for a total payment in effect 30

per cent higher at 1.5p. Stated earnings per 5p share increased from 4.7p to 8.5p. Tax charge was £896,000 (£497,000) and an extraordinary charge of £91,000 was included in pre-tax profits. The full listing after adjusting for the scrip issue.

The group's principal UK operating company, Valin Pollen, continues to broaden its range of services with the launch of its financial marketing consultancy.

Abroad, Valin Pollen Thomas and Kleyn enjoyed an exceptional year, Mr Valin said.

The group's production service companies, Falcon Design and APT Photostat achieved record growth. Falcon had expanded its range of services with a new photographic unit, while APT in its first full year as a group member, exceeded all growth and profit targets.

comment  
The City had been so well prepared for Valin Pollen's results that profit taking was almost inevitable and its share fell by 15p to 165p yesterday. The fundamentals of the business seem sound enough. Contested takeover bids may be distorting the picture, but acquisition activity continues unabated. The Government has lost none of its enthusiasm for privatisation and Valin Pollen should benefit from both developments.

The chief cause for concern is the mounting pile of goodwill to be written off. This week Valin Pollen will write off almost £250,000, depressing earnings per share both on its own account and by inflating the tax charge. A well timed acquisition paid for with paper would, however, work wonders with the share premium account. In spite of being thwarted three times in the US last year, Valin Pollen is determined to succeed this year. It is that happens the shares with a prospectively p/e of 16 on projected profits of £2.4m look fairly valued.

## EMAP to enfranchise shares

EMAP, magazine and newspaper publisher, has announced proposals to enfranchise its "A" (limited voting) ordinary shares. At present, EMAP's ordinary shares carry 10 votes, while an "A" ordinary share carries only one vote.

Mr Frank Rogers, the chairman, said the voting structure was "undesirable" because it was irrelevant and the continued existence of limited voting shares could inhibit the company's future growth.

The "A" shares are to be converted into ordinary shares and voting rights of the ordinary are to be amended to one vote per share. Existing ordinary holders are to be compensated for the reduction in their voting rights by being given one new share for every seven held.

## Ensign Trust joint venture

Ensign Trust, the investment trust controlled by the Merchant Navy Officers' Pension Fund, has formed CDC Berkeley in conjunction with Berkeley

## shares could inhibit the company's future growth

Govett and Company. The new company is a Jersey-based investment fund specialising in providing development capital for US unquoted companies in the technology area.

## Giltrap lifts stake in Frank Gates

By Clay Harris

Giltrap, the New Zealand car distributor, has increased its holding in Frank G. Gates, the London-based Ford dealer, to 11.9 per cent. The company is committed to reject a £10m takeover offer.

Samuel Montagu bought an additional 130,000 shares at 115p to lift the interest of Giltrap and its associates to 9.3 per cent. Gates shares were unchanged yesterday at 120p, equal to the cash offer.

In its defence document earlier this week, Gates repeated its forecast of increased profits in 1986 and rejected Giltrap's criticism of its dividend policy. It said that the cash offer was inadequate and totally unacceptable and criticised Giltrap's unsecured loan note alternative.

Gates also maintains that it would have to give up two of its four Ford dealerships in east London, Essex and Hertfordshire if the takeover went through.

The 60 per cent of shares which have been committed against the offer comprise about 43 per cent from members of the Gates family and 17 per cent from directors.

"We'd like to think that certain members of the family will change their mind and accept the offer," Montagu said.

YEARLING bonds totalling £2m at 10 1/4 per cent, redeemable on January 13 1988, have been issued by the following local authorities: Central Scotland Water Development Board £0.5m; East Fife District Council £1.0m; Dundee (City of) £0.5m.

## Tenby shares jump on bid approach

By Stephen Thompson

Shares of Tenby Industries, the West Midlands-based electrical and electronic group, jumped 32p to a record 268p yesterday following news that the company had received a bid approach. At yesterday's closing price the company is valued at £36.6m.

The "unofficial" approach, according to a statement from Tenby yesterday, the statement added that if a definite offer was made it was likely to be at a "level commensurate with the current price of the shares."

The company advised shareholders not to dispose of their shares until the position was clarified.

Tenby was a wholly-owned subsidiary of the BSE Group until June last year, when the latter sold 60 per cent of its shares via an offer sale at 115p. BSE retained the remaining 40 per cent.

Mr Nigel McLean, chairman of Tenby, said yesterday that although the company was aware of its vulnerability to a takeover, it did not intend to remain independent. Tenby had held talks with other possible bidders, Mr McLean said.

Tenby said final results for 1986 were not yet available but it was confident of a satisfactory outcome for the year and encouraged by prospects for 1987. In the first half, Tenby made pre-tax profits of £1.54m on sales of £14.6m.

## Johnson Cleaners

Johnson Group Cleaners has acquired three dry-cleaning companies in the US for \$5.82m (£3.8m) in cash.

The companies are: B & B for \$2.1m with sales of \$1.63m and pre-tax profits of \$200,000 for the year to December 1986; Custom Cleaners for \$1.52m with sales of \$1.47 and pre-tax profits of \$248,000 for the same period. Whitefield for \$2.2m with sales and pre-tax profits of \$1.3m and \$380,000 respectively.

Johnson Group has more than 700 dry-cleaning shops in the UK with a 25 per cent market share. The US side contributed 33 per cent of total group turnover in 1985.

## Wagon International

Wagon Industrial Holdings, which interests in material handling, storage, office equipment and engineering, has acquired Coventry-based Contract Engineers, a manufacturer of specialist tool holders for CNC machine tools, for \$550,000. A further \$250,000 is dependent on future performance.

Contract Engineers made a pre-tax profit of £180,000 in the year to July 21 1985.



## UK COMPANY NEWS

## Demand boosts Robt Horne to £10.5m

A SURGE in the second half enabled the Robert Horne group of paper merchants to lift its pre-tax profit for the year ended September 30 1986 by 22 per cent, from £8.65m to £10.55m.

The first half had produced a marginal increase, but the directors expressed confidence that more new products, firmer prices and good demand would show through in the latter period.

As to the current year, they said shareholders that they had started well, and they were confident of again making increased profits.

Earnings for the past year were 20.5p (15.5p) and the final dividend is 8.5p for a net total of 9p (3.25p).

Turnover rose by 7.4 per cent to £121m, and gross profit by 11 per cent to £29.34m. Operating profit grew by 15 per cent to £10.55m while interest payable was cut to £136,000 (£80,000).

The paper merchanting side lifted its profit from £7.57m to £10.05m, paper from £50,000 to £102,000, and others from £75,000 to £146,000. Profit at Trellick Fasteners was cut to £251,000 (£296,000), while Spectrum Adhesive Coaters fell into a loss of £20,000 (profit £282,000).

## Countryside set for next era of growth

SIGNIFICANT progress was achieved by Countryside Properties in the year ended September 30 1986, with profits ahead by 84 per cent, from £2.58m to £4.75m, and sales up 24 per cent to £127.7m.

On top of that, Mr Alan Cherry, chairman, believed a position had been established from which the group was poised to enter the next era of growth.

He was confident that the current year would be a further period of worthwhile progress. Demand for new homes continued to be exceptionally buoyant, and the commercial and industrial side was expected to make an increasing contribution to profits.

Earnings for 1986-87 rose to 62.1p (37.1p) and the final dividend of 4.1p lifts the total to 6.8p on capital increased by the December 1986 rights issue (5.74p).

Turnover in the year fell to £90.65m (£91.62m) but gross

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## PRELIMINARY NOTICE OF MEETING

The shareholders are hereby informed that an Extraordinary General Meeting will shortly be called with the following agenda:

- Presentation of the reports of the Board of Directors, of the Statutory Auditors and of the Contribution Appraiser.
- Approval of the draft merger agreement between BSN and GENERALE BISCUIT, by way of absorption of the latter. This will constitute a waiver by the shareholders of their preferential right to subscribe for shares issued to holders of convertible bonds and stock options in the company absorbed.
- Increase of the share capital, by the amount required, and amendment of article 6 of the Articles of Incorporation.
- Granting of authority to the Board of Directors to apply all or part of the merger premium as it sees fit.

To be entitled to attend or to be represented at the Meeting:

- holders of registered shares must be recorded in the company's share register at least five days before the date of the Meeting;
- holders of bearer shares must deposit at the head office of the company or at a branch of the institutions listed below, at least five days before the date of the Meeting, a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting;

Lazard Frères & Cie, 121 boulevard Haussmann, 75009 Paris, FRANCE.	Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, ENGLAND.	Benque Paribas, 3 rue d'Anin, 75002 Paris, FRANCE.
Benque Nationale de Paris, 16 boulevard des Capucines, 75009 Paris, FRANCE.	Benque Transatlantique, 17 boulevard Haussmann, 75009 Paris, FRANCE.	Credit Lyonnais, 29 boulevard des Capucines, 75002 Paris, FRANCE.
Credit Industriel et Commercial de Paris, 66 rue de la Victoire, 75009 Paris, FRANCE.	Société Lyonnaise de Credito Industriale, 8 rue de la République, 75009 Paris, FRANCE.	Société Générale, 29 boulevard Haussmann, 75009 Paris, FRANCE.
Société Générale de Banque, 3 Montagne du Parc, Brussels, BELGIUM.	Matteoli Industriale, 55 rue la Botte, 75008 Paris, FRANCE.	Credit du Nord, 6 et 8 boulevard Haussmann, 75009 Paris, FRANCE.
Leonard Ollier & Cie., 11 Cornate, Geneva, SWITZERLAND.	Benque Indosuez, 96 boulevard Haussmann, 75008 Paris, FRANCE.	Benque de Neufize, Schlumberger, Mallet, 3 avenue Hoche, 75008 Paris, FRANCE.
J. W. Wassall & Cie., Bahnhofstrasse 3, Zurich, SWITZERLAND.	A. Sarasin & Cie., 107 Fribourgn, Basle, SWITZERLAND.	
Benque Densachy & Associés, 223 rue Saint Honoré, 75001 Paris, FRANCE.	Benque Worms, 45 boulevard Haussmann, 75009 Paris, FRANCE.	

Qualifying shareholders wishing to have draft resolutions put on the agenda, pursuant to article 130 of Decree No. 67-236 of March 23, 1967, must send their requests in the form laid down by law, to BSN's head office within ten days following the publication of this preliminary notice.

Copies of drafts of the resolutions to be submitted to the shareholders at the Meeting may be obtained from the offices of Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT.

Le Conseil d'Administration

## Stone Intl still sees at least £3m profit

CURRENT YEAR results at Stone International are following the pattern anticipated in November. The group turned in a loss of £1.9m for the first half, and confirmed a partial recovery to a minimum profit of £2m over the full year to May 31 1987.

The interim dividend is held at 1.61p and the directors said the final should again be 3.23p.

First half loss compared with a profit of £3.02m which included £280,000 pension fund surplus, while the £3m profit forecast for the year would be against £8.00m in 1985-86.

Principal reasons for the loss were further problems in the UK transport division with large export order, reduced order intake for boilers in the UK, and a strike at Stone Johnson in the US. Those problems had been resolved.

The group's main business is the manufacture of equipment such as air conditioning, lighting and power generating systems for mass transit, bus and rail authorities.

Its sales in the half year came to £50.78m (£44m) but there was a loss of £1.9m (£806,000 profit £3.3m).

## comment

Stones are not renowned for their aerodynamic properties and these figures from the systems engineering group reveal a breathtaking plummet into loss. The market had been forewarned and the shares had already discounted the trauma; thus the news of the stronger order book was able to push them up 5p to 112p. For a company to have one unexpected slice of a misfortune, three in one half year smacks of carelessness. Those who saw the wreckage of Stone-Platt, from which Stone International emerged via a management buy-out, might be forgiven for a sense of déjà vu. The management is duly penitent and is maintaining the yield to keep shareholders loyal; every nerve and sinew will no doubt be strained to meet the £3m full year forecast. With the strike settled, the troublesome New Jersey contract all but departed and the management strengthened, the market is looking for pre-tax profits of around £2m next year. That indicates the shares are on a prospective p/e of just over 7. The group needs a trouble-free period before it deserves a re-rating.

## Brent Chemicals

Brent Chemicals International, the industrial chemicals producer, has bought J and S Laboratories of California, for \$4.8m (£1.8m). J and S supplies photo resist and solder strippers and a range of other related products used primarily in the manufacture of sophisticated multi-layer printed circuit boards.

## Body Shop expands 79% and doubles dividend

Body Shop International, the national development of the business was of growing importance and the directors proposed further to increase and strengthen communications for all areas abroad which would show benefits in the years to come.

Shareholders are having their dividend doubled to 5p net and there is to be another one-for-one share issue.

Mr Gordon Roddick, chairman, said the group continued to trade strongly in the UK and abroad, and the move into the 50,000 sq ft manufacturing unit last July did not interrupt trade. Most of the costs associated with relocation were met from cash flow.

Earnings were doubled to 20.5p (10.25p) and the final dividend is to be 1.6p on capital increased by the previous one-for-one scrip issue.

In the current year Christmas sales were again strong. Both at home and abroad, the chairman commented. The opening of two prime co-owned stores in Oxford Street and Terminal 2 in Heath row meant the company was able to take full advantage of the strong Christmas trade in establishing those outlets.

Mr Roddick said the international development of the business was of growing importance and the directors proposed further to increase and strengthen communications for all areas abroad which would show benefits in the years to come.

The group had doubled the number of its franchised outlets overseas in the year to a current total of around 100 in 22 different countries, and turnover from abroad was now about 20 per cent of total sales. A further increase of about 50 outlets was expected in the current year.

Mr Roddick said no new franchise holders were being taken in the UK because the waiting list for new Body Shop franchises had reached three years. But there was the possibility of new wholly-owned store opening this year.

Body Shop had taken a 70 per cent interest in Colourings, which markets a specialist range of colour cosmetics.

comment  
When a company with Body Shop's record turns in near-

80 per cent profits growth, it is a trifle unkind to mark the shares down—they fell 7p to 740p yesterday—because it missed analysts' forecasts by a whisker. True, Body Shop has now reverted to its seasonal pattern, so that profits which more than doubled at the interim stage increased by a mere 48 per cent in the second half. But the July move was achieved without disruption, and that has already allowed the company to speed up deliveries substantially. The best, though, is that it is still possible to see where future growth will come from: 12 new UK outlets opened making 78 in all, and the number overseas increased from 100 to 158, taking overseas sales to £3.2m. This year, Body Shop is looking to add 18-20 UK outlets, of which three will be more profitable own shops—two have already opened—and for same-growth overseas. So after a good Christmas, forecasts of 53m-plus pre-tax this year do not look wildly optimistic. That might put the group on a prospective P/E of about 23— hefty, but not unjustified.

## Hollas all-round improvement

Hollas Group, Manchester-based fabric and garment dealer, continued to progress during the opening six months of the 1986-87 year and for the year to end June 1987. Douglas sales rose from £561,000 to £753,000 pre-tax.

The 34 per cent profits improvement was brought about by better performance by all group companies and a reduction in interest charges. City analysts were expecting profits of around £700,000.

Looking ahead, the directors' prospects were "very good indeed."

They pointed out that on the garment distribution side several exciting opportunities for expansion were being pursued and added that they also intended to expand the yarn division. Additions here would be made to existing companies in order to accelerate their already healthy growth.

Group turnover for the six months to September 30 1986 were little changed at £14.92m (£14.61m). Operating profits rose by £63,000 to £870,000.

Interest charges were reduced by £129,000 to £117,000, but tax

rose from £202,000 to £204,000. Half year earnings worked through at 1.6p (1.4p) per 5p share and the interim dividend is being lifted from 1.1p to 1.2p net.

The sale of the group's investment in Jordans Estate Agency, announced in September, realised a profit of £330,453 and was treated as an extraordinary item. This raised the retained balance from £76,000 to £448,000.

The Peri-Lusta companies, acquired last April, have been integrated successfully.

## COMPANY NEWS IN BRIEF

CASTROL, Burmah Oil's lubricants subsidiary, has acquired Henry & Sons and Sons of Pennsylvania. The acquisition of SLR will give EMAP National a 20 per cent share of all UK copy sales of consumer photographic magazines.

YORKSHIRE CHEMICALS, Yorkshire subsidiary, Yorkshire Chemicals Pty, has acquired Douglas Colours Pty for some £42.2m (£1m) cash. For the year to end June 1987 Douglas made pre-tax profits of \$356,000 from a turnover of \$2.3m. Net tangible assets at year-end amounted to \$680,000.

JOHN MOWLE's offer for Glasgow Stockholders Trust has been declared unconditional as to acceptance. The formula for the calculation of the offer price of £1.50 per share will be calculated as at the close of business yesterday and will be announced as soon as practicable. The offer will remain open for acceptance until further notice.

WADE POTTERIES—AGM was held that first four months trading of current year showed substantial increase on last year; continuation of that trend was looked for.

CAMBRIDGE INSTRUMENTS (scientific instruments group) has sold its Fibre Optics business, based in the US, to Schott Fibre Optics Inc, a subsidiary of the West German Schott Group. Consideration was about \$12m (£8.16) cash, with further payment based on an earn-out formula.

MARLEY has acquired the assets of the Florida-based concrete roof tile manufacturing business, previously trading as Carroll's Building Materials. The acquired business included modern manufacturing equipment along with land and buildings in Florida. Price was about \$3.5m, including \$1.6m for land and buildings.

CITY OF DUBLIN Bank holders subscribed for 8.19m shares (90.2 per cent) of the recent rights issue. The remaining 821,259 shares (9.8 per cent) have been sold at 62p for the benefit of non-subscribing holders. Payment will be made on January 21 at 14.25p. There was no call on underwriters.

J. W. WASSALL (footwear retailer): Turnover £1.41m (£1.31m) and pre-tax profits £2,908 (loss £2,574) for 26 weeks to August 2, 1986. Earnings 0.07p (loss 0.68p) per 5p share. Directors expect profits for full year to be higher than last year's £40,533.

GREENWICH CABLE Communications exercised its option to subscribe for new shares in DRL Communication, which represents 50 per cent of the increased capital. The subscription will cost Greenwich £40,000 and it will also make working capital available for the expansion of DRL.

EMAP NATIONAL Publications has successfully completed

## I.G. INDEX

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## ANGLOVAAL LIMITED

(Reg. No. 05/04580/06)

("The Company")  
(Incorporated in the Republic of South Africa)

## RIGHTS OFFER BY THE COMPANY OF UNSECURED VARIABLE RATE SUBORDINATED LOAN STOCK ("VARIABLE RATE LOAN STOCK")

UAL Merchant Bank Limited is authorised to announce as follows pursuant to a rights offer by the company to its ordinary, "A" ordinary and participating 5% preference shareholders (other than those members whose addresses as recorded in the company's registers are within the United States of America and Canada) of 17,456,020 units of variable rate loan stock at 1150 cents per unit.

## LISTINGS ON THE JOHANNESBURG STOCK EXCHANGE ("THE JSE")

The JSE has, subject to the registration by the Registrar of Companies in South Africa of the rights offer documents, granted listings for:

- (i) The renounceable (nil paid) letters of allocation ("letters of allocation") to be issued by the company, representing 17,456,020 units of variable rate loan stock, from Monday, 12 January 1987, to Wednesday, 4 February 1987, both days inclusive;

- (ii) 17,456,020 units of variable rate loan stock from Thursday, 5 February 1987.

It is expected that dealing will be allowed on The Stock Exchange, London, in letters of allocation and units of variable rate loan stock under the provisions of rule 535.4.A, which permits dealings where the principal market is outside the United Kingdom and the Republic of Ireland.

## Selling dates

Last day to register for the rights offer—close of business on

The company's ordinary, "A" ordinary and participating 5% preference shares listed on Johannesburg and London

Dealing commences in letters of allocation on the JSE

Rights offer opens—circular and letters of allocation posted to the company's ordinary, "A" ordinary and participating 5% preference shareholders on

Last day for listing of and dealing in letters of allocation on the JSE

Last day for splitting letters of allocation in London by 15000

Last day for splitting letters of allocation in Johannesburg by 14000

Listing of the variable rate loan stock units commences on the JSE

Rights offer closes—payment to be made by 14000 in Johannesburg and 15000 in London on

Postal acceptance postmarked 6 February 1987 or earlier accepted up to close of business on

Variable rate loan stock certificates and, if applicable, refund cheques in respect of applications for additional units of variable rate loan stock posted on

All times given are local times in South Africa and the United Kingdom, as appropriate.

## REGISTRATION, DESPATCH AND INSPECTION OF DOCUMENTS

The rights offer documents will be lodged for registration with the Registrar of Companies in South Africa and England, respectively, on Wednesday, 7 January 1987. Copies of the circular, which will be sent to the company's ordinary, "A" ordinary and participating 5% preference shareholders, and of the principal and first supplemental loan stock trust deeds, governing the variable rate loan stock, will be available for inspection from Friday, 9 January 1987, to Friday, 6 February 1987, at any of the following addresses:

- (i) The registered office of the company, Anglovaal House, 56 Main Street, Johannesburg, South Africa;

- (ii) Ferguson Bros Hall Stewart and Co Inc, 946 The Stock Exchange, Diagonal Street, Johannesburg, South Africa; and

- (iii) Anderson, Wilson and Partners Inc, 408 The Stock Exchange, Diagonal Street, Johannesburg, South Africa; and

- (iv) Anglo-Transvaal Trustees Limited, 285 Regent Street, London W1R 8ST, England.

UAL Merchant Bank Limited  
Reg. No. 55/03181/06  
(Registered Bank)  
A Member of the Nedbank Group  
Incorporated in the Republic of South Africa  
7 January 1987

## Building for a better future



ECC Construction, trading as SNW and Bradley Homes, is ranked as a leading UK homebuilder. It has about 50 development sites and is achieving around 1,200 completions per annum.

Measured growth and expansion from its traditional West Country base, has been accelerated by the acquisition of Bradley Homes in Swindon. The combined operation is now building extensively in the country and to a limited extent in the Southern half of the North West and Midlands.

The houses are constructed using traditional methods and materials. The range of house types caters for the first-time buyer through to the senior executive, but with the

emphasis on the trade-up sector. Proven designs in house plans and layouts, individuality in external appearance and generous floor areas with the accent on space and quality, ensure that ECC Construction's customers get the very best value for money.

ECC Construction's strength of land holding, strategically sited, and its continued policy of concentrating on expanding its margins rather than volume, have played a major part in its growth.

ECC Construction intends to build its future on the application of this highly successful business formula, developed on the firm foundation of past experience.



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# ONE SMALL STEP TOWARDS A WIDER EQUITY MARKET

**BET**  
BET Public Limited Company

As an international services company, we at BET are intent on matching our shareholder base more closely with our geographic spread of business.

That's why on November 28th 1986, we placed in Europe 3.5 million shares which had been issued as part of the recent acquisition of HAT Group and Brengreen.

This placing follows closely behind another BET success story: our recent £65 million Convertible Eurobond issue.

We extend the warmest welcome to our new shareholders.

This may not be a giant leap for mankind, but for us it is another step towards creating a wider market for our shares.

**BET**  
WORLD SERVICES

## UK COMPANY NEWS

### Simon's bid defence sees 35% rise in dividend

By Charles Batchelor

Simon Engineering, which is fighting off an unusual \$178m takeover bid by its Irish Valuedale, a specially created company, yesterday announced a small increase in its 1986 profit but forecast a large rise in its dividend payment.

In a 17-page defence document entitled "Veto Valuedale," Simon estimated last year's pre-tax profit rose from £26.1m to not less than £27.5m. However, when the £1.6m benefit of a first-time reduction in pension contributions is taken into account, the increase was only £100,000.

The company also took an extraordinary charge of \$4.5m last year to cover general reorganisation costs, compared with £8.6m the year before. Earnings per share rose from 29.2p to 29.3p despite an increase in the effective tax charge from 24.6 per cent to 25.4 per cent. Simon's dividend, increasing its total dividend by 35 per cent to 11.5p.

Simon launched a detailed attack on the valuation attributed by Valuedale to its ordinary shares. Valuedale is offering 180p cash and one share, nominally valued at 100p, for each Simon share. Simon calculated the value of the Valuedale shares at only 56p (though it did not include this figure in its defence document).

It also attacked the "bullet" which would be applied to Simon by the loan agreement between Valuedale and Citibank, which is providing \$100m of loans. The only way the repayment schedule could be met would be by the disposal of large parts of Simon's business, the company claimed.

Schroders, advisers to Valuedale, described the profit estimate as disappointing and noted that 1986 was the seventh year in which Simon had recorded an extraordinary charge for rationalisation.

Simon's shares rose 4p to 306p. The bid reaches its third closing date on Monday and Valuedale currently speaks for just 1.04 per cent of the shares.

### Oriflame wins Goldsmiths with improved offer terms

By Nikki Tait

INCREASED OFFER terms have won the day for Oriflame, the London-listed but Scandinavian-based direct selling cosmetics company, in its previously-contested bid for retail jeweller Goldsmiths Group.

Oriflame has raised the cash and paper offer from one of its own shares plus 102p for every Goldsmiths share to one share plus 107p.40 for every seven Goldsmiths. The full cash alternative goes up from 260p to 268.5p.

The bidder has also added a full put option: Goldsmiths shareholders can elect to receive new Oriflame shares instead of all or part of their cash entitlements, on a basis of one Oriflame share for every 50p cash. However, the maximum number of Oriflame shares to be issued under the offer will not be varied to meet share elections—so these will only be satisfied to the extent that other Goldsmith shareholders opt for cash.

The third refinement is the proposed payment of a second interim dividend of 5.5p to Goldsmiths shareholders—whether or not they accept the offer—in respect of the year ending February 28.

With Oriflame shares unchanged at 845p yesterday, the cash and paper terms value each Goldsmiths share at 275p and the entire company at £28.6m. Goldsmiths shares added 4p to 266p.

The improved terms have secured the backing of Goldsmiths directors who are recommending the revised offer. Oriflame and its associates own a 25.5 per cent stake in Goldsmiths, and other Goldsmiths shareholders, including directors, have given irrevocable undertakings to accept in respect of 22.4 per cent of the equity—taking Oriflame to own a 50 per cent stake.

Mr Jurek Piasiecki, Goldsmiths chairman, will now join the Oriflame board and continue to manage the Goldsmiths operations. "They see it as an autonomous business unit," he commented yesterday. Mr Piasiecki added that plans for the disposal of Goldsmiths insurance business were well advanced, and would go ahead under the new owners.

The future of the recently-acquired hotels division remains uncertain. "They want to study the profitability of the hotels," said Mr Piasiecki, "but I believe they will want to retain them when they see the figures." Oriflame said yesterday that its own second half trading "showed a continuation of the trends seen in the first six months" and that the cosmetics side showed particularly good results in Sweden. It plans to pay a 17.5p final dividend—giving a total increase over the year of 16 per cent.

### Feb Int. shares move up ahead of suspension

Trading in shares of Feb International, the Manchester-based chemicals manufacturer and distributor, was suspended yesterday morning pending an announcement.

The suspension was at the company's request.

Feb International shares have moved up steadily this week, with ordinary voting shares rising from 101p to a 1986-87 high of 108p prior to yesterday's suspension and the "A" non-voting from 68p to 78p, valuing Feb at £5.8m.

Feb's capital structure consists of 1.73m ordinary shares and 5.11m "A" non-voting shares. The Fisher family controls 74 per cent of the voting shares, which rules out a hostile takeover bid.

Mr Graham Fisher, a director of Feb, said yesterday that he expected an announcement to be made next week.

CLOSE BROTHERS Group—1,095,000 (£0.05 per cent) ordinary in company, registered in the name of British Airways Pension Trustees, have been sold.

### Brown Shipley stake goes into 'safe' hands

By Charles Batchelor

Brown Shipley Holdings, the merchant bank which was viewed for much of last year as a potential bid candidate, has found friendly buyers for a further 6 per cent stake in its equity.

Kreditbank Luxembourg and Cof, a Luxembourg investment holding company controlled by Mr Giorgio Rossi, bought the entire 1m share stake held by United Kingdom Temperance and General Provident Institution.

This puts into "safe" hands the last sizable stake available in Brown Shipley, the company said.

Kreditbank bought 800,000 shares to take its holding to 4.58m or 29.54 per cent while Cof bought 200,000 shares to take its stake to 1.28m or 11.71 per cent.

Kreditbank confirmed that it was committed to the continued independence of Brown Shipley, and that its purchase was not the prelude to an offer being made. Brown Shipley said it was content with the changes in its shareholdings.

Brown Shipley is developing joint ventures with Kredittbank and recently launched a unit trust investing in European equities. Joint underwriting ventures are also planned.

Mr Rossi is a former chairman of ENIA VISCOSA, the Italian textiles, chemicals and engineering group, and a former general manager of Credito Italiano, the Milan bank. He is a non-executive director of Brown Shipley.

The British bank's shares rose 15p to 535p yesterday in advance of the announcement of speculation that a bid was imminent.

GENERAL ELECTRIC Company, through its wholly owned US subsidiary GEC Inc, has acquired control of American Fan Company, of Fairfield, Ohio. American Fan, which makes centrifugal fans for industrial users, joins GEC's Woods Group, headed by Woods of Colchester, which has a growing export business in the US.

FT

FINANCIAL TIMES CONFERENCES

## Cable Television & Satellite Broadcasting

This 1987 conference, the fifth in a series arranged in association with New Media Markets, will bring together a distinguished panel of speakers to review the future of the new media at a critical turning point in their development.

### Questions to be discussed include:

- What kind of future for public service broadcasting in an age of satellites?
- Could cable be about to take off at last?
- DBS—the satellite may fly but is it a business?
- How will the international battle for the European audience turn out?

### Speakers include:

Mr David Mellor, MP  
Minister of State at the Home Office

Mr Michael Gheckard  
BBC

Mr David Shaw  
Independent Television Companies Association Limited

Mr Ian Clark  
Clyde Cablevision Limited

Mr Jon Davey  
Cable Authority

Mr Ian Ellison, CBE  
Robert Fleming & Co Limited

Mr Andrew Quinn  
Granada Group PLC

Mr Charles Wigoder  
Carlton Communications Plc

Mr Rolf Arrim  
Eurosatellite GmbH

Mr Richard Hooper  
Super Channel

Mr Patrick Cox  
Sky Channel

Mr Gunnar Rugheimer  
Home Video Channel Limited

Date and Venue:  
18 & 19 February, 1987  
Hotel InterContinental, London

## Cable Television & Satellite Broadcasting

Please send me further details of the CABLE TELEVISION & SATELLITE BROADCASTING CONFERENCE

FT A FINANCIAL TIMES CONFERENCE IN ASSOCIATION WITH NEW MEDIA MARKETS

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## AFRICAN DEVELOPMENT BANK

Abidjan, Ivory Coast

DEM 200,000,000 Subordinated Floating Rate Notes of 1987/1997

Issue Price: 100%

DG BANK		Morgan Guaranty GmbH	
Deutsche Bank Aktiengesellschaft		Banque Paribas Capital Markets GmbH	
Algemene Bank Nederland N.V.		Bank of Tokyo (Deutschland) Aktiengesellschaft	
Berliner Handels- und Frankfurter Bank		Commerzbank Aktiengesellschaft	
Crédit Lyonnais		Crédit Commercial de France	
Dresdner Bank Aktiengesellschaft		Dean Witter Capital Markets - International Ltd	
EBO Amro Bank Limited		Industriebank von Japan (Deutschland) Aktiengesellschaft	
Kidder, Peabody International Limited		London & Continental Bankers Limited	
Merrill Lynch Capital Markets		LTGB International Limited	
Sumitomo Trust International Limited		Noriura International Limited	
		Salomon Brothers AG	
		S.G. Warburg Securities	
		Westdeutsche Landesbank Girozentrale	

## NOTICE OF PREPAYMENT THE DAIWA BANK, LIMITED

(Incorporated in Japan)  
US\$20,000,000  
Callable Negotiable Floating Rate  
Dollar Certificates of Deposit  
No. FRC 400111, 400113 to 400118, 400120, 400124 to 400128,  
400131 to 400137, issued on 23rd February, 1984  
Maturity Date 23rd February, 1988 (Optionally Callable in  
February 1987)  
Notice is hereby given that in accordance with Clause 3 of  
the Certificates of Deposit, (the "Certificates"), The  
Daiwa Bank, Limited ("the Bank") will prepay all out-  
standing Certificates on 27th February, 1987 (the  
"Prepayment Date"), at their principal amount.  
Payment of the principal amount, together with accrued  
interest to the Prepayment Date, will be made on the  
Prepayment Date against presentation and surrender of the  
Certificates at the London Branch of the Bank.  
Interest will cease to accrue on the Certificates on the  
Prepayment Date.

The Daiwa Bank, Limited  
Commercial Union Building  
St. Helen's, 1 Undershaft, London EC3A 8JJ  
8th January, 1987

## GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	div. (p)	%	P/E
128 118	Am. Brt. Ind. Ord.	128	—	7.5	5.4	4.3
147 121	Am. Brt. Ind. CULS	145	—	10.0	8.8	—
40 28	Airtelco Ltd Rhodes	36	—	4.2	12.0	4.5
54 54	B&W Busline Group (USM)	57	—	1.4	2.1	18.0
215 198	Burford H&S Group	218	—	4.8	2.1	24.4
98 95	Bay Technology	98	—	4.8	11.4	—
138 76	CCL Group Ordinary	130	—	2.9	2.2	2.2
107 98	CCL Group Type Conv. Pref.	98	—	16.7	16.9	—
289 116	Carborundum Ordinary	289	—	8.1	3.4	13.0
93 80	Carborundum 7.5% Pref.	80	—	10.7	11.8	—
126 76	George Blair	80	—	2.5	4.2	2.3
87 87	Ind. Pictet & Castings	88	—	6.7	7.0	8.2
178 162	Int. Group	162	—	18.3	12.9	5.2
124 101	Jacobs Group	122	—	6.1	5.0	8.4
577 230	James Burroughs	235	—	17.0	6.2	9.1
100 89	James Burroughs 8% Pref.	89	—	12.8	14.8	—
1,035 342	Multihouse N.V. (AmstSE)	350	—	—	—	9.3
360 290	Record Highway Ordinary	302	—	—	—	8.3
100 83	Record Highway 10% Pref.	83	—	14.1	17.0	—
88 82	Robit Ltd	88	—	—	—	3.5
43 30	Scotwin	43	—	—	—	—
141 87	Torrey and Carline	141	—	6.7	4.0	8.5
340 324	Trevelyan Holdings	324	—	7.8	2.4	8.7
79 62	Unilever Holdings (SE)	76	—	2.8	3.7	14.0
117 86	Walter Alexander	117	—	8.0	4.2	11.2
280 180	W. S. Yarns	188	—	17.4	8.9	18.5
38 27	West Yorks Ind Hosp (USM)	28	—	8.8	5.8	13.7

Granville & Company Limited  
8 Lloyds Lane, London EC3R 8EP  
Telephone 01-621 1212  
Member of FIMBRA

Granville Davies Coleman Limited  
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# AUTHORISED UNIT TRUSTS

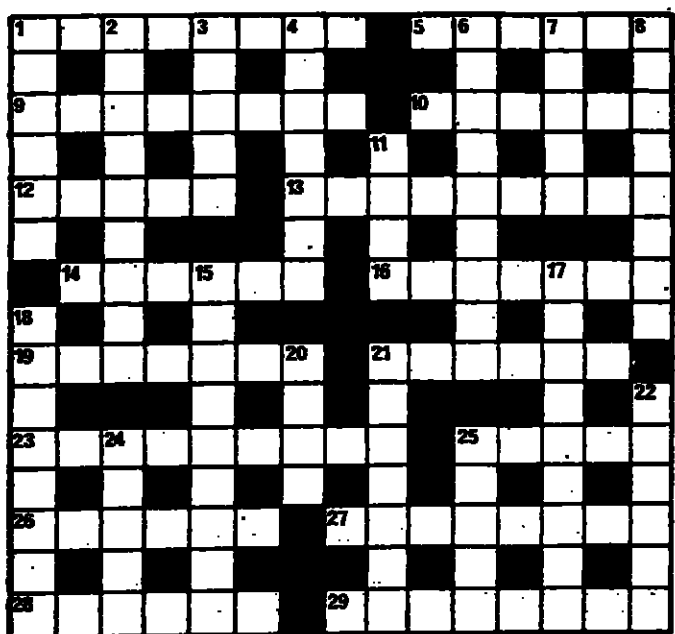
<b>Abney Unit Trust Ltd</b> 20 Grosvenor Gardens, London SW1 7EX 01-499 7273	<b>Barclays Bank Unit Trusts Ltd</b> 100 Broad Street, London EC2 1ST 01-499 7273	<b>Baring Fund Managers Ltd</b> 20 Grosvenor Gardens, London SW1 7EX 01-499 7273	<b>Baring Unit Trusts Ltd</b> 20 Grosvenor Gardens, London SW1 7EX 01-499 7273
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### FT CROSSWORD PUZZLE NO. 6,221

VIXEN



#### ACROSS

- Making one's curt reports (5)
- The coolness of a quiet trainee with incomplete bomb (5)
- Figure the writer has a flap on (8)
- Firm people hold the first person to enter (4,2)
- View only some of the play (5)
- Autocrat finding love prosper—that's as it should be (9)
- Unwilling to read poetry (5)
- A neat drive (5)
- Visible perception (7)
- Ladies fashion models (5)
- 25 across faced the wall (9)
- Not relaxed, having drunk rather too much (5)
- Exercise can be a tonic (6)
- An Italian city (5)
- Cut from certain revenue (5)
- Split about always being deferential (6)

#### DOWN

- Soldiers gone for some food (5)
- Boards jam (5)
- The practice of the top-drawer philosopher (5)
- Couple writing book about upshut set (7)

#### Solution to Puzzle No. 6,220

ACROSS  
1. ABBERSFORTH  
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**AUTHORISED UNIT TRUST & INSURANCES**[illegible]



## 25

25

**Schenker Flanagan - Cont.**

<b>Schenker Portfolio Selection Fund Ltd.</b>			
Admiral Corp.	\$1.27	+0.00	1.27
Amgen Inc.	\$1.27	+0.00	1.27
Boeing Co.	\$1.27	+0.00	1.27
Chrysler Corp.	\$1.27	+0.00	1.27
General Electric	\$1.27	+0.00	1.27
IBM Corp.	\$1.27	+0.00	1.27
Johnson & Johnson	\$1.27	+0.00	1.27
Merck & Co.	\$1.27	+0.00	1.27
Microsoft Corp.	\$1.27	+0.00	1.27
Oracle Corp.	\$1.27	+0.00	1.27
Qualcomm Inc.	\$1.27	+0.00	1.27
Rockwell International	\$1.27	+0.00	1.27
Spacenet Inc.	\$1.27	+0.00	1.27
Verizon Wireless	\$1.27	+0.00	1.27
Walt Disney Co.	\$1.27	+0.00	1.27
World Wide Web	\$1.27	+0.00	1.27
Yahoo! Inc.	\$1.27	+0.00	1.27
Intel Corp.	\$1.27	+0.00	1.27
Microsoft Corp.	\$1.27	+0.00	1.27
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## COMMODITIES AND AGRICULTURE

## Brazil seeks coffee sales boost as export halt ends

BY IVO DAWNAY IN RIO DE JANEIRO AND ANN CHARTERS IN SAO PAULO

The Brazilian authorities last night sought to end a damaging period of uncertainty over coffee export policies when they opened export registrations for January and February without setting a limit for sales.

The Brazilian Coffee Institute (IBC) said it would set a minimum export price by taking an average of 40 per cent of the price of robusta coffees and 60 per cent of so-called "other milks" and deducting 12 cents per lb. It said daily prices would be flexible, reflecting the market situation.

Brazil, normally the world's biggest coffee producer and exporter, has been causing growing consternation on the world market and among local traders by delaying the announcement of an export policy and prices. Last night's statement caused an immediate slide on the New York futures market following earlier firmness, with coffee futures closing at \$1.32 1/2, down from \$1.37 1/2 in the early afternoon.

Traders were, however, reluctant to state definitely whether the news was bullish or bearish.

The announcement followed the rejection earlier this week by Mr Dilson Fumero, the Brazilian Finance Minister, of a plan drawn up by the newly-formed National Coffee Policy Council (NCP), aimed at rapidly boosting sales.

Growers are also deeply concerned about the state of the market as Brazil enters the new year with an estimated 17m bags in domestic stocks and some 600,000 more held in Europe after a failed attempt to intervene in the international market to raise prices.

Under the rejected proposal the Brazilian Coffee Institute would have been priced at \$1.70 (\$116.5) a bag at present.

One London dealer said yesterday that the level of price proposed by the NCP was "realistic". But he added that the most important issue for Brazil was to get back into the market rapidly as prices looked set to fall further.

Brazil has got some 10m to 12m bags to sell between now and the new crop that starts in July. The timeframe is becoming more and more compressed, he said.

The NCP is now understood to be looking at an export plan under which the Government would be required to intervene in the domestic market by buying some 500,000 bags at \$2.10 to shore up prices.

For the Brazilian Government, the powerful coffee lobby is an increasingly uncomfortable thorn in the flesh. In view of the general squeeze on public sector expenditure it is extremely reluctant to come to the aid of the industry. At the same time, politically it is next to impossible to lower the \$2.064 minimum price guaranteed to producers, which means when inflation is surging back.

Coffee sales remain an extremely important component in Brazil's foreign trade surplus, last year earning some \$2.4bn in hard currency desperately needed to cover the country's foreign debt liabilities. The total trade surplus is expected to amount to some \$9.5bn.

Mr Paulo Graciano, President of the Brazilian Coffee Institute (IBC), the executive arm of the new NCP, has come under increasing criticism from all sides of the industry that claim the IBC's pricing policy has needlessly kept the country out of the international market.

Yesterday he was quoted as predicting that the market would improve when world supplies fall back. But this conflicts strongly with opinion in London that is currently forecasting a further slide in prices, with robusta possibly dropping below 100 cents a lb within the foreseeable future.

The International Coffee Organisation (ICO) executive Board's eight producing members will meet in London tomorrow to discuss whether to call for a plenary ICO producer session on possible introduction of ICO export quotas, according to producer spokesman Mr Jorio Dauster of Brazil, reports Reuter.

This is in accordance with a decision taken at the time of the last ICO Board session in December to consider whether to hold a meeting of the 50 ICO producers if prices continue to fall.

Normal procedure would be for any such plenary meeting of producers to be held before the next ICO Board session, already scheduled for January 28-29 he said.

On the Kuala Lumpur tin market, the tin price rose to \$1,320 a tonne, up from \$1,310 a tonne, while Malaysian tin prices were also up to \$1,320 a tonne.

Mr Ibrahim Menudin, president of the Malaysian Chamber of Mines and Metallurgy, said recently that any production quota by the ATPC members must be matched by similar sacrifices from non-ATPC tin producers, particularly in Brazil and China.

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needed to cover the country's foreign debt liabilities. The total trade surplus is expected to amount to some \$9.5bn.

Mr Paulo Graciano, President of the Brazilian Coffee Institute (IBC), the executive arm of the new NCP, has come under increasing criticism from all sides of the industry that claim the IBC's pricing policy has needlessly kept the country out of the international market.

Yesterday he was quoted as predicting that the market would improve when world supplies fall back. But this conflicts strongly with opinion in London that is currently forecasting a further slide in prices, with robusta possibly dropping below 100 cents a lb within the foreseeable future.

The International Coffee Organisation (ICO) executive Board's eight producing members will meet in London tomorrow to discuss whether to call for a plenary ICO producer session on possible introduction of ICO export quotas, according to producer spokesman Mr Jorio Dauster of Brazil, reports Reuter.

This is in accordance with a decision taken at the time of the last ICO Board session in December to consider whether to hold a meeting of the 50 ICO producers if prices continue to fall.

Normal procedure would be for any such plenary meeting of producers to be held before the next ICO Board session, already scheduled for January 28-29 he said.

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## US farm options curb lifted

BY DAVID OWEN IN CHICAGO

THE COMMODITY Futures Trading Commission (CFTC), the US futures industry's regulatory watchdog, this week voted to terminate its agricultural options pilot programme, effectively ending restrictions on the number of such contracts which can be offered by individual US exchanges.

The limit of two agricultural options per exchange was raised to five in April 1986, and a rash of new contract launches followed.

The CFTC's latest move means that agricultural options will now be traded on a permanent basis in the US for the first time since they were banned by Congress in 1936. This followed strong complaints from farmers about trading abuses in the unregulated markets of the great depression.

The principal remaining restriction is that agricultural options must have an underlying futures contract trading a minimum of 3,000 contracts per week.

The Chicago Mercantile Exchange tomorrow will launch its fourth agricultural options contract—feeder cattle options.

The move comes just three months after trading started on pork belly options and will leave farmers as the only non-financial CME futures contract without an option.

Feeder cattle futures is the smallest contract in the exchange's agricultural futures complex. In 1986, volume totalled 4,441 contracts—a decline of 9.3 per cent from a year earlier.

Nonetheless, exchange officials are optimistic that feeder cattle options will be able to establish a respectable volume of business, basing this view on the unusual level of trade interest in the run-up to the launch.

The new option may also benefit from association with the CME's successful live cattle options which, in 1986, traded an impressive 718,099 contracts.

The CFTC has agreed to conduct a survey to determine who uses livestock futures and options markets, reports Reuter from Washington.

The decision to identify participants in options and futures for live cattle, live hogs and feeder cattle came partly in response to cattle producers' complaints that speculators in those markets have driven down cash market prices.

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## Gilts and bonds steady

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## LONDON SHARE SERVICE

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## INDUSTRIALS—Continued

REGIONAL & IRISH STOCKS				
The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency				
Albany for 20	62	Jan 13% 97/02	539	
Orkney & Ross Co	124 1/2	Armagh	539	+5
City & County Co	124 1/2	City of Lond	539	
Forrest & Co	124 1/2	Carroll lines	1/45	
High Level 25	850	Hall (R. & N.)	1/45	
Irish Steel 25	76	Heston Bridge	57	
		Irish News	57	+5
		Malvern	57	
<p><b>Recent Issues</b>      and      <b>Rights</b>      Page 30</p> <p>(International Edition Page 30)</p>				
<p>This service is available to every Company desirous in no stock Exchanges throughout the world for a fee of £875 per annum (net, each agency).</p>				











## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

**Continued on Page 33**



## AMEX COMPOSITE CLOSING PRICES

**OVER-THE-COUNTER** Nasdaq national market, closing prices

**Continued on Page 31**



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Concerted surge to new peaks

FALTERING two points shy of its second millennium, the Dow Jones industrial average enjoyed another robust rise yesterday in heavy Wall Street trading, writes Roderick Oram in New York.

Credit markets opened on a mixed note but prices picked up during the afternoon in another quiet trading session. The Dow closed up 19.12 at 1,993.95, setting a record for the third day in a row. It had backed away, however, from its next major threshold moments before the end of trading.

Stocks had begun the day on a negative note as profit taking made the Dow dip below the previous day's close. It recovered steadily during the morning with the advance reflected in the broader indices.

Having lagged behind the Dow in setting records this week, both the New York Stock Exchange composite index and Standard & Poor's 500 closed above their old peaks, up 1.62 to 146.83 and up 2.56 to 253.33 respectively.

NYSE trading volume remained heavy at 190.9m shares with advancing issues topping those declining by a margin of

three-to-one. Strong advances were also shown in the secondary markets which had risen far less than the Big Board last year.

Among blue chips, Aluminum Company of America gained 5% to \$36. General Electric rose 1% to \$91. International Business Machines edged up 1% to \$123.34. 3M gained 1% to \$120. Procter and Gamble rose 1% to \$79 and United Technologies advanced 1% to \$48.4.

Whether the market can hold over 2,000 is widely debated. Recent strength, attributed to seasonal factors and a bounce back from the heavy tax-related selling in December, may not be sufficient to sustain the advance for long.

In yesterday's trading, Diamond Shamrock gained 1% to \$14.4 after Mr T. Boone Pickens renewed his bid for the oil company with an offer to buy up to 20m shares at \$15 each. Mr Pickens' corporate vehicle, Mesa Limited Partnerships, was unchanged at \$10.4.

Airborne Freight jumped 1% to \$32.4 after TNT disclosed that it had lifted its stake in Airborne to 17.6 per cent. The airfreight company rejected a \$29 a share offer from TNT in November.

Boeing, down 1% to \$50.4, was the most actively traded NYSE stock as it added to its losses suffered on Tuesday after an analyst cuts his earnings forecast.

Texas Air gained 1% to \$37.4. One of its subsidiaries, People's Express, announced a steep loss in December traffic. Some airline stocks were weaker yesterday as oil prices continued to drift upwards. AMR slipped 1% to \$50.4, and NWA lost 1% to \$63.4 and UAL was off 1% to \$54.4 while Delta Air Lines was

unchanged at \$49.4 and USAir gained 1% to \$37.4.

Oil companies were mixed. Exxon slipped 1% to \$73.4, Texaco was unchanged at \$37.4, Chevron advanced 1% to \$41.4 and Standard Oil rose 1% to \$52.4.

Time Inc. jumped 2% to \$73.4. Merrill Lynch's media analyst upgraded his recommendation on the stock to buy from neutral on the basis of higher earnings forecasts.

Credit markets continued quiet yesterday with prices mixed in the morning but firming up in the afternoon. The 7.50 per cent benchmark Treasury long bond gained 1/2 to 102 1/2 at which it yielded 7.33 per cent.

Three-month Treasury bills lost five basis points to 5.42 per cent while six-month bills edged down one basis point to 5.47 per cent and year bills slipped two basis points to 5.46 per cent.

The Fed funds rate continued to ease to the 6 1/4 per cent level by early afternoon. The Federal Reserve supplied liquidity with five-day system repurchase agreements when the Fed funds rate stood at 6 1/4 per cent.

Some analysts are beginning to get a little edgy about the employment figures due out on Friday believing the number of new jobs created in December might be higher than earlier forecast. A rise of about 300,000 jobs would be seen as a sign of stronger economic growth which in turn would put downward pressure on bond prices.

### TOKYO

## Protectionist fears cause a setback

AFTER A HIGHER start, the Nikkei average plummeted in Tokyo yesterday on reports that a series of protectionist trade bills had been re-submitted to the US House of Representatives, writes Shigeo Nishimaki of Jiji Press.

The 225-issue market indicator, which rose 52.95 soon after the opening, nosedived 253.08 in the afternoon. However, financial stocks rallied on heavy buying by securities house dealers towards the close, so that the average recouped much of its loss and closed only 94.39 lower at 18,423.7. Losses outpaced gains by 490 to 247, with 149 issues unchanged.

Volume increased, from 472.8m shares on Tuesday to 548.6m. But this was far less than the daily 2bn-plus shares registered during last August's bull market when institutional investors poured funds into stocks.

Trading so far this year has been limited to dealer transactions in financial stocks. Most institutional investors have stayed on the sidelines since late last year, although some have been quick to sell for profit as soon as prices rise.

Renewed fears of US protectionism brought blue chips down on a wide front. NEC and Matsushita Electric Industrial lost Y30 each to Y2,000 and Y2,020 respectively, while Toyota Motor fell Y40 to Y2,050 and Sony Y60 to Y3,370. But selling was only light, as shown by the modest 3.33m Matsushita shares traded.

Among budget-affected issues, Kajima dropped Y10 to Y1,540, Toyo Construction Y7 to Y990 and Kumagai Gumi Y10 to Y1,280. Pharmaceuticals continued to lose ground, with Takeda Chemical dropping Y40 to Y2,540. Kaken Pharmaceutical, Daiichi Sankyo and Tanabe Sankyo all finished Y80 lower at Y1,900, Y3,250 and Y1,760 respectively.

Major losers included utilities. Tokyo Electric Power plunged Y140 to Y7,790 and Tokyo Gas Y40 to Y1,080.

Investors bought non-life insurance stocks. Taisho Marine & Fire Insurance gained Y55 to Y1,030, Yasuda Fire & Marine Insurance Y20 to Y980 and Sumitomo Marine & Fire Insurance Y40 to Y1,120. Among actives, Tokio Marine & Fire Insurance advanced Y40 at one stage but finished unchanged from Tuesday at Y1,800.

City and trust banks, which contributed much to pushing up the Nikkei average to a record high on Tuesday, declined sharply under profit-taking pressure. But they recovered rapidly later thanks to dealer purchases. Sumitomo Bank, for instance, lost Y70 temporarily but closed unchanged at Y2,630. Fuji Bank finished Y10 lower at Y2,190 after plunging Y120 at one stage.

Bond prices firmed in relatively heavy trading despite negative factors such as the weak US bond market. The yield on the 5.1 per cent government bond due in June 1996 declined from 5.250 per cent on Tuesday to 5.210 per cent, with Nomura Securities placing a large buy order for the issue.

Leading securities houses have large inventories of bonds with low coupons of below 6 per cent. Analysts said market participants were focusing on when institutional investors, who are now seeking higher-coupon bonds, would begin to buy low-coupon bonds.

### SOUTH AFRICA

GOLD shares fell from the heights reached during the recent surge in bullion prices, with provisional figures putting the all-gold index down 39 at 2,027 from Tuesday's record high.

Vaal Reef tumbled R5 to R400, South Vaal lost R2 to R203.50 and Kloof was off R1 at R36.50.

Diamond share De Beers, however, continued its gains, rising 40 cents to R36.75.

### EUROPE

## Wary eye on currencies and rates

INTEREST RATE MOVEMENTS and currency concerns returned to the forefront of the European bourses yesterday as the French franc remained fixed at the floor of its EMS trading level.

Paris suffered a mild dose of profit-taking from the strong gains experienced on Monday and Tuesday. Most investors kept a wary eye on the movement of franc and D-Mark exchange rates. Reassurances by Mr Jacques Chirac, Prime Minister, and Mr Edouard Balladur, Economics Minister, that the French currency would not be devalued provided a modicum of support to sentiment, brokers said.

Bank, food, construction and oil issues advanced while car, retail and electrical stocks edged lower.

Valeo fell FF14 to FF520 on reports that it was selling its 6 per cent stake in Lambert Freres, a construction materials producer.

Peugeot slipped FF4 to FF1,220 amid group chairman Jacques Calvet's forecasts of a 30 per cent gain in 1986 profits. Brussels retreated in light trading following the half percentage point rise in the key discount rate to 8.5 per cent by the Banque Nationale de Belgique. Utilities were the first to suffer with Unerg off BF50 to BF2,800 and Intercom down BF35 to BF3,335.

Market bellwether Petrofina failed to carry through the gains of the previous session and slipped BF140 to BF9,390 on renewed fears that its US unit would face large fines over alleged violations of oil price regulations. Shell Oil was fined \$180m yesterday by the US Department of Energy for pricing irregularities.

Zarich was pulled back from its recent peaks by steady institutional profit-taking. News that the four main banks were cutting their time deposit rates by 1/4 point to 3 1/4 per cent effective today failed to bolster sentiment. The new rate applies to all maturities from three to 12 months.

Swissair managed to move against the trend with a SF30 rise to SF1,280. Foods were actively sold with Jacobs Suchard down SF100 to SF9,025 while

Nestlé, which is buying US ophthalmic interest, lost SF75 to SF9,875 after touching a low of SF9,800.

Bond prices firmed in lively reaction to the weak dollar and EMS tensions. Frankfurt closed at its day's low in lacklustre trading that displayed little reaction to recent peaks in the US and Japan. Caution ahead of this month's general election was cited as a possible cause for the low level of activity.

Revised forecasts of economic expansion by the Berlin DIW institute added to the broad uncertainty. The institute has scaled back to 1.5 per cent its earlier estimate of 2.5 per cent expansion.

Deutsche Bank dropped DM8 to DM813 and Commerzbank lost DM6 to DM309. BMW slipped DM2 to DM572 despite its 36 per cent gain in December US sales to 10,400 cars.

Bonds were nervous in response to early Bundesbank intervention for the dollar. Longs lost up to 25 basis points. The central bank bought DM44.8m of paper compared with purchases of DM21.4m on Tuesday.

Madrid reached a fresh peak while Milan turned mixed in late trading. Amsterdam turned nervously lower. Stockholm was down sharply and Oslo was subjected to profit-taking.

### AUSTRALIA

STRONG trading in resource and industrial stocks extended the peak in Sydney share prices, taking the All-Ordinaries index to its seventh consecutive record with a rise of 10.9 to 1,534.9.

BHP briefly touched A\$9.40 on speculation of a takeover bid but still closed at another 12-month record, up 8 cents to A\$9.32.

Media stocks were active, with heavy trading by News Corporation's brokers taking Advertising Newspapers up 5 cents to A\$3.55. The Herald and Weekly Times, facing a formal News Corp bid, edged to a 12-month high of A\$13.70, while Queensland Press, under a bid from John Fairfax, climbed 20 cents to A\$20.20.

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Continued buying interest and short-covering pushed Singapore higher in moderate trading. The Straits Times industrial index closed up 3.18 at 893.25 with the Stock Exchange all-share index up 0.36 to 270.76.

Volume surged to 51m shares from 12.9m on Tuesday, largely inflated by a block deal involving 3m Sealion Hotel shares at 71 cents. Sealion closed up 6 cents at 80 cents.

### LONDON

A SPATE of foreign and British institutional buying drove the London stock market ahead strongly yesterday and took the FT-SE 100 index to a new peak.

The buying, which caught some marketmakers off guard, was helped by this week's records in Tokyo and New York. The market rose from the start and gave a final flourish on news of Wall Street's early advance.

Prices closed at the day's highs, with the FT-SE 100 index up 31.5 at 1,722.2. Its previous record was 1,717.6, reached last April. The FT Ordinary index gained 18.7 to 1,353.0.

Glaxo was the outstanding feature, jumping 6 1/4 to a record of £11 1/4 on 6.5m shares traded, as it benefited from US funds which followed the lead taken by European and Japanese buyers a month ago.

Other major advances included ICI, up 1 1/4 to £11 1/4. Fisons, 30p higher at 561p and BAT Industries, up 21p at 483p. Government bond prices were little changed after foreign investors failed to materialise at the tender for £1bn Treasury stock dated 1994 and the stock was undersubscribed.

Chief price changes, Page 31; Details, Page 30; Share Information Service, Pages 28-29.

### HONG KONG

THE RECORD-BREAKING trend continued in Hong Kong as strong demand from local and foreign investors pushed the Hang Seng index through the 2,600 level for the first time.

In heavy turnover worth HK\$1.42bn compared with HK\$1.17bn on Tuesday, the index closed 23.24 higher at 2,607.11 for a two-day rise of 54.7.

The session saw limited profit-taking by small investors but the mood was mainly bullish.

Banks were especially in demand, with Hongkong Bank up 25 cents to HK\$9.55, Hang Seng gaining 50 cents to HK\$43 and Bank of East Asia adding 10 cents to HK\$24.00.

### CANADA

OPTIMISM about US economic growth and consequent Canadian exports helped to take share prices in Toronto to record highs from the start. An improved outlook for resource industries added to the boost.

Industrials dominated activity, led by Canadian Pacific up C\$4 at C\$19.4. Montreal also saw most sectors gaining, although utilities were unchanged.

KEY MARKET MONITORS				
STOCK MARKET INDICES				
	Jan 7	Previous	Year ago	
NEW YORK				
DJ Industrials	1,993.95	1,974.83	1,595.71	
DJ Transport	842.42	841.93	706.79	
DJ Utilities	216.37	213.78	179.06	
S&P Composite	255.23	252.78	213.80	
LONDON				
FT Ord	1,533.0	1,334.3	1,123.8	
FT-SE 100	1,722.2	1,690.7	1,415.2	
FT-A All-share	858.67	842.98	842.58	
FT-A 500	939.50	922.34	922.34	
FT Gold mines	316.3	315.6	286.8	
FT-A Long gilt	10.04	10.08	10.58	
TOKYO				
Nikkei	18,423.7	18,336.76	12,991.2	
Tokyo SE	1,567.54	1,563.62	1,038.47	
AUSTRALIA				
All Ord.	1,534.1	1,523.1	1,032.4	
Metals & Mins.	754.8	747.1	507.9	
AUSTRIA				
Credit Aktien	227.87	(c)	251.780	
BELGIUM				
Belgian SE	4,006.40	4,017.57	2,810.34	
CANADA				
Toronto				
Metals & Mins	2,058.70	2,048.7	2,119	
Composite	3,155.90	3,120.7	2,888.6	
Montreal				
Portfolio	1,584.93	1,565.16	140.91	
DENMARK				
SE	192.33	-	236.48	
FRANCE				
CAC Gen	405.50	404.50	278.5	
Ind. Tendance	102.60	102.40	167.5	
WEST GERMANY				
FAZ-Aktien	669.86	676.84	677.82	
Commerzbank	2,029.00	2,048.30	2,029.8	
HONG KONG				
Hang Seng	2,607.11	2,583.87	1,815.53	
ITALY				
Borsa Comm.	728.73	(c)	457.83	
NETHERLANDS				
ANP-CBS Gen	278.80	279.50	102.4	
ANP-CBS Ind	272.10	274.60	248.0	
NORWAY				
Oslo SE	366.94	369.10	337.05	
SINGAPORE				
Straits Times	893.25	890.07	630.48	
SOUTH AFRICA				
JSE Golds	—	2,086.0	1,231.8	
JSE Industrials	—	1,431.0	1,100.7	
SPAIN				
Madrid SE	217.39	(c)	101.78	
SWEDEN				
J & P	2,458.08	(c)	1,883.76	
SWITZERLAND				
Swiss Bank Ind	598.30	603.30	612.3	
WORLD				
MS Capital Int'l	Jan 6	Previous	Year ago	
	368.20	365.0	259.0	
COMMODITIES				
(London)	Jan 7	Prev		
Silver (spot fixing)	394.75p	395.35p		
Copper (cash)	\$219.75	\$218.25		
Coffee (March)	\$1,655.50	\$1,632.50		
Oil (Brent blend)	\$18.10	\$18.175		
GOLD (per ounce)				
	Jan 7	Prev		
London	\$400.00	\$401.00		
Zurich	\$400.75	\$401.75		
Paris (fixing)	\$399.40	\$401.63		
Luxembourg	\$400.25	\$402.35		
New York (Feb)	\$404.70	\$402.20		

# The world turns to United States gold.



Autumn 1986 marked an historic moment. The United States Mint introduced the American Eagles and the world turned to American Gold Coins.

The demand for American Eagles has been tremendous, reflecting the strong desire among worldwide investors to own Gold.

Gold, made even more precious because it embodies the full strength, stability, and dependability of the U.S. Government.

Made from gold bullion bars, the American Eagle One Ounce Gold Coin contains one ounce of pure gold.

To accommodate investors' individual requirements, American Eagle Gold Coins are also available in 1/2, 1/4 and 1/10 ounce sizes.

American Eagles are legal tender and their weight, content and purity are guaranteed by the

United States Treasury, thereby giving American Eagles unquestioned authenticity worldwide.

For investors interested in adding silver to their portfolios, there is an American Eagle Silver Bullion One Ounce Coin.

All American Eagles are available at participating banks and brokers, and coin and precious metals dealers.

Because of the demand, there may be a temporary delay in some areas but the United States Mint's production facilities are working diligently to ensure an unlimited supply be made available on a continuing basis.

The cost of American Eagles is based on the daily price of gold or silver, plus a premium, and will fluctuate accordingly.

Beautiful, valuable, desirable. The American Eagles.

AMERICAN EAGLE GOLD & SILVER BULLION COINS